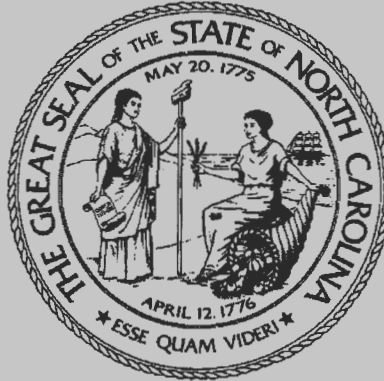


APPROPRIATIONS COMMITTEE
2015-2016 Session



CHAIRS

Representative Nelson Dollar
Representative Linda Johnson
Representative Donny Lambeth
Representative Chuck McGrady

COMMITTEE ASSISTANTS

Candace Slate
Joanna Hogg
Pan Briles
Laura Bone

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
JOINT COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Appropriations** will meet as follows:

DAY & DATE: Thursday, February 12, 2015

TIME: 8:30 am to 10:30 am

LOCATION: 643 LOB

COMMENTS: This is to advise of the Joint meeting of the Senate and House Appropriations Committees to hear fiscal 2015-17 Revenue Forecast and Budget Outlook. All Members of the Finance Committee are invited.

Respectfully,
Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 11:04 AM on Monday, February 09, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Candace Slate (Committee Assistant)



Candace Slate (Rep. Nelson Dollar)

From: Elise McDowell (Sen. Harry Brown)
Sent: Monday, February 09, 2015 12:05 PM
To: Candace Slate (Rep. Nelson Dollar)
Subject: FW: <NCGA> Senate Appropriations/Base Budget Committee Meeting Notice for Thursday, February 12, 2015 at 8:30 to 10:30 am
Attachments: Add Meeting to Calendar_LINC_ics

FYI

From: Mary Marchman (Sen. Kathy Harrington)
Sent: Monday, February 09, 2015 12:03 PM
To: Mary Marchman (Sen. Kathy Harrington)
Cc: @Senate/Members; @Senate/Legislative Assistants
Subject: <NCGA> Senate Appropriations/Base Budget Committee Meeting Notice for Thursday, February 12, 2015 at 8:30 to 10:30 am

Principal Clerk _____
Reading Clerk _____

SENATE **NOTICE OF JOINT COMMITTEE MEETING** **AND** **BILL SPONSOR NOTICE**

The **Senate Committee on Appropriations/Base Budget** will meet at the following time:

DAY	DATE	TIME	ROOM
Thursday	February 12, 2015	8:30 to 10:30 am	643 LOB

This is to advise of the joint meeting of the Senate and House Appropriations/Base Budget Committees to hear the fiscal 2015-17 Revenue Forecast and Budget Outlook. All members of the Finance Committee are invited.

Senator Harry Brown, Co-Chair
Senator Kathy Harrington, Co-Chair
Senator Brent Jackson, Co-Chair



Joint Meeting of House and Senate Appropriations

Agenda

Thursday, February 12, 2015, 8:30 A.M.

Room 643, Legislative Office Building

Representative Dollar, Presiding

1. Welcome

2. 2015-17 Consensus Revenue Forecast

Dr. Barry Boardman, Fiscal Research Division

3. Budget Outlook

Karen Hammonds-Blanks, Fiscal Research Division



Joint House and Senate Committee on Appropriations/Base Budget
Thursday, February 12, 2015 at 8:30-10:00 AM
Room 643 of the Legislative Office Building

MINUTES

The Joint House and Senate Committee on Appropriations/Base Budget met at 8:30AM on February 12, 2015 in Room 643 of the Legislative Office Building. Representative Nelson Dollar, Senior House Chair presided. The purpose of the meeting was to hear from Fiscal Research Division regarding the Revenue Forecast and Budget Outlook. All House and Senate Members were invited to attend.

Chairman Dollar called the meeting to order and recognized the Sergeant-At-Arms and Pages serving the committee. He then introduced the Fiscal Research staff for their presentations.

2015-17 Consensus Revenue Forecast

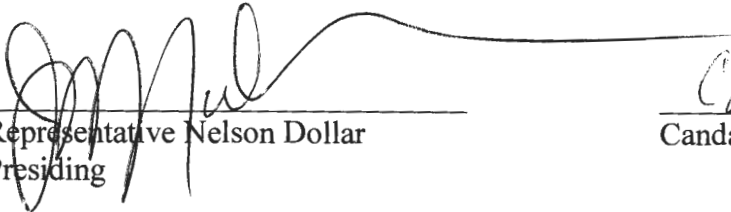
Dr. Barry Boardman, Fiscal Research Division

Budget Outlook/Budget Pressures

Karen Hammonds-Blanks, Fiscal Research Division

Questions from the Members and Responses from Staff

The meeting adjourned at 9:50 AM.



Representative Nelson Dollar
Presiding



Candace Slate, Committee Clerk

Attachments:

1. Agenda
2. 2015-17 Consenses Revenue Forecast and Budget Outlook
- 3 Visitor's Log



2015 -17 CONSENSUS REVENUE FORECAST AND BUDGET OUTLOOK

**Barry Boardman, Ph.D.
Karen Hammonds-Blanks
Fiscal Research Division
February 12, 2015**

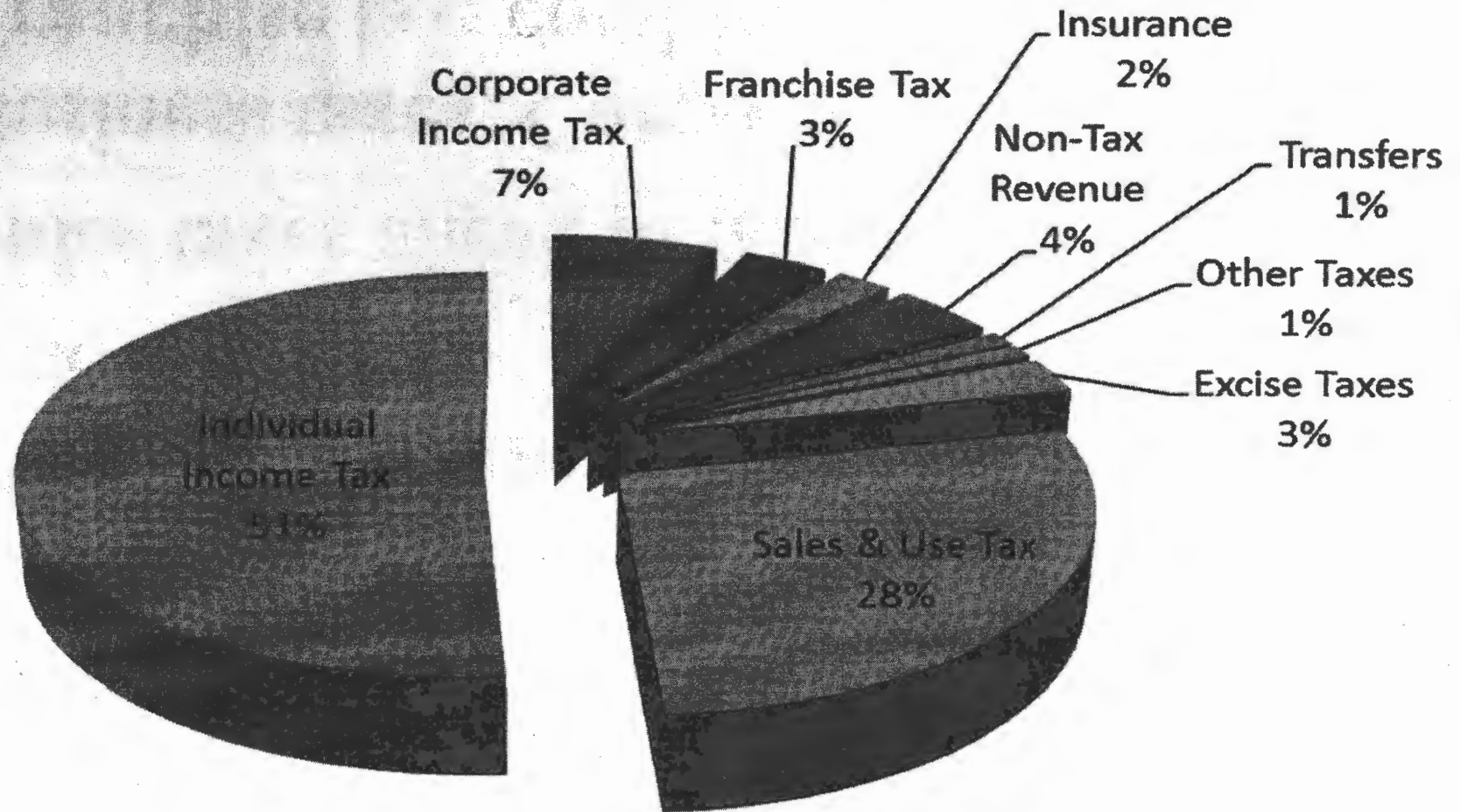


FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Presentation Outline

- Consensus Revenue Forecast
 - Current Fiscal Year
 - 2015-17 biennium Forecast
- Budget Outlook

FY 2013-14 State General Fund, \$20.15 Billion



How Do 2014-15 Revenues Look So Far?

- Collections through January are \$215 million below the \$11.8 billion target.
- **Personal Income** tax lags behind target – down 5.8%
- **Sales** taxes ahead of target by 2.3%
- Business taxes, **Corporate Income** and **Franchise** tax, combined are 5.7% ahead of target

FY 2015-17 Consensus Forecast



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Consensus Revenue Process

- Statutory Guidelines do not address the budget revenue forecast
- Fiscal Research and the Office of State Budget and Management develop independent forecasts
- Prior to release of Governor's biennial budget, forecasters meet to develop a consensus forecast

Consensus Revenue Process

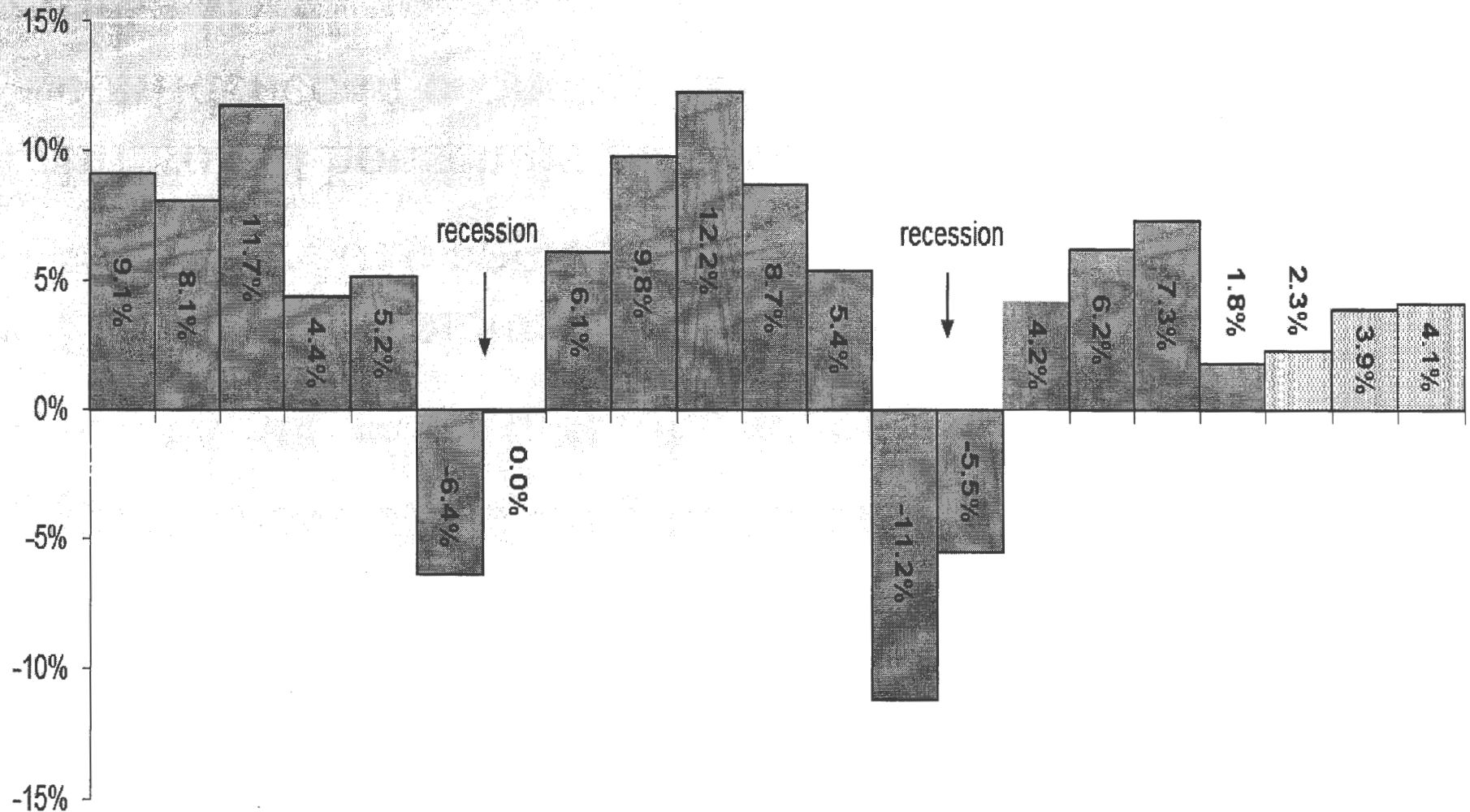
- In early May, after April receipts have been recorded, the legislature and/or the Governor can request a revised consensus forecast
- In even-numbered years there is a revision to the forecast for the second year of the biennium. The revised forecast usually takes place in early May

Consensus Forecast

Fiscal Year	Revenue (\$ millions)	Change (\$ millions)	Percent Change
2014-15 (est.)	\$20,730.1	\$586.4	2.9%
2015-16 (est.)	\$21,409.9	\$679.8	3.3%
2016-17 (est.)	\$22,296.6	\$886.7	4.1%



Baseline Tax Revenue Growth, FY 1996-97 to FY 2016-17



Note: The last three bars represent the current forecast baseline estimate.

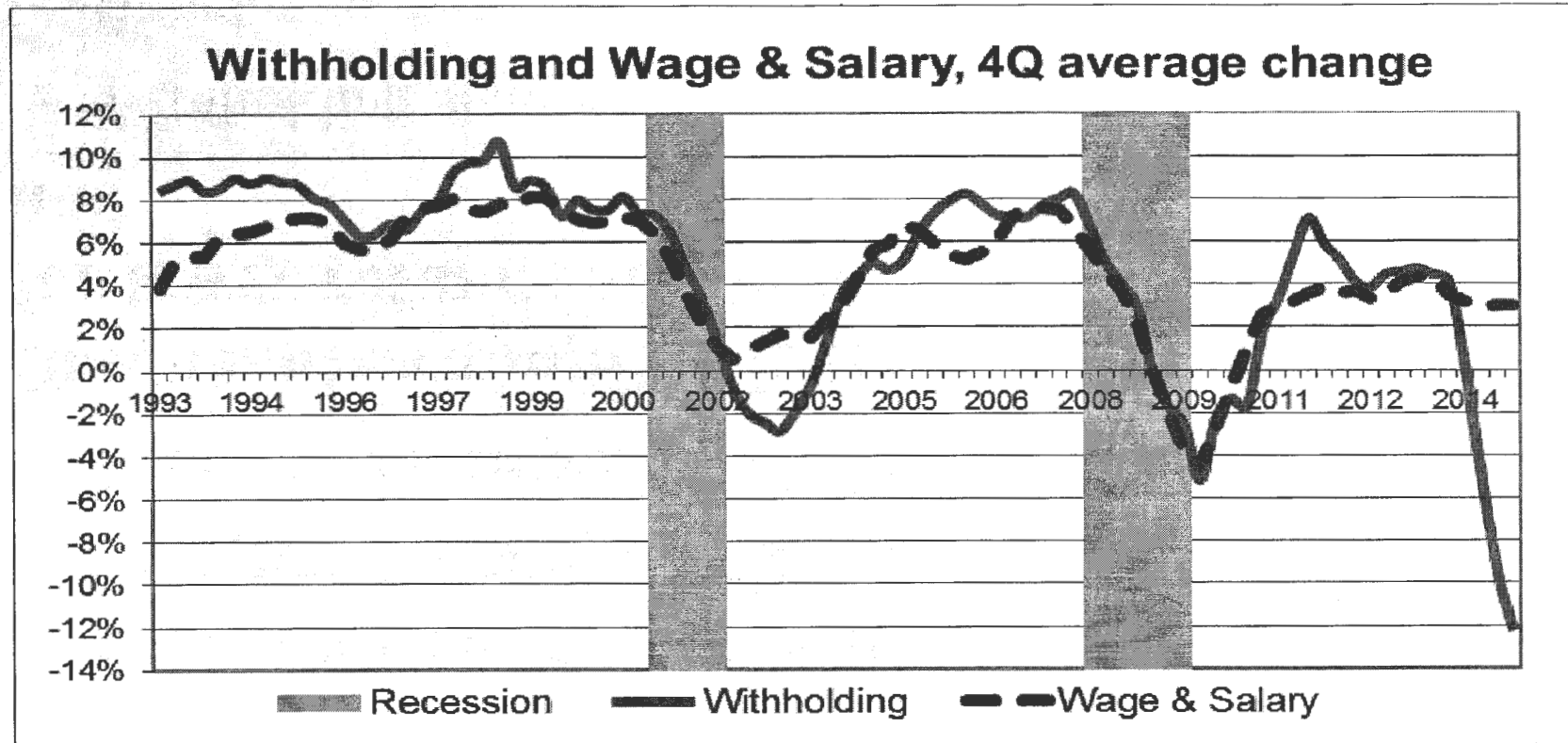
2015-2017 Economic Outlook

- Overall economy expected to maintain steady, yet moderate growth
- Employment gained momentum in 2014, projected to grow above 2% during biennium
 - 85,000 to 95,000 jobs added each year
- Employment picture suggest upward pressure on wages as 2016 approaches
- Improved household balance sheets and more confidence in economy help maintain solid retail sales growth
- Global Conditions require added caution

Consensus Forecast

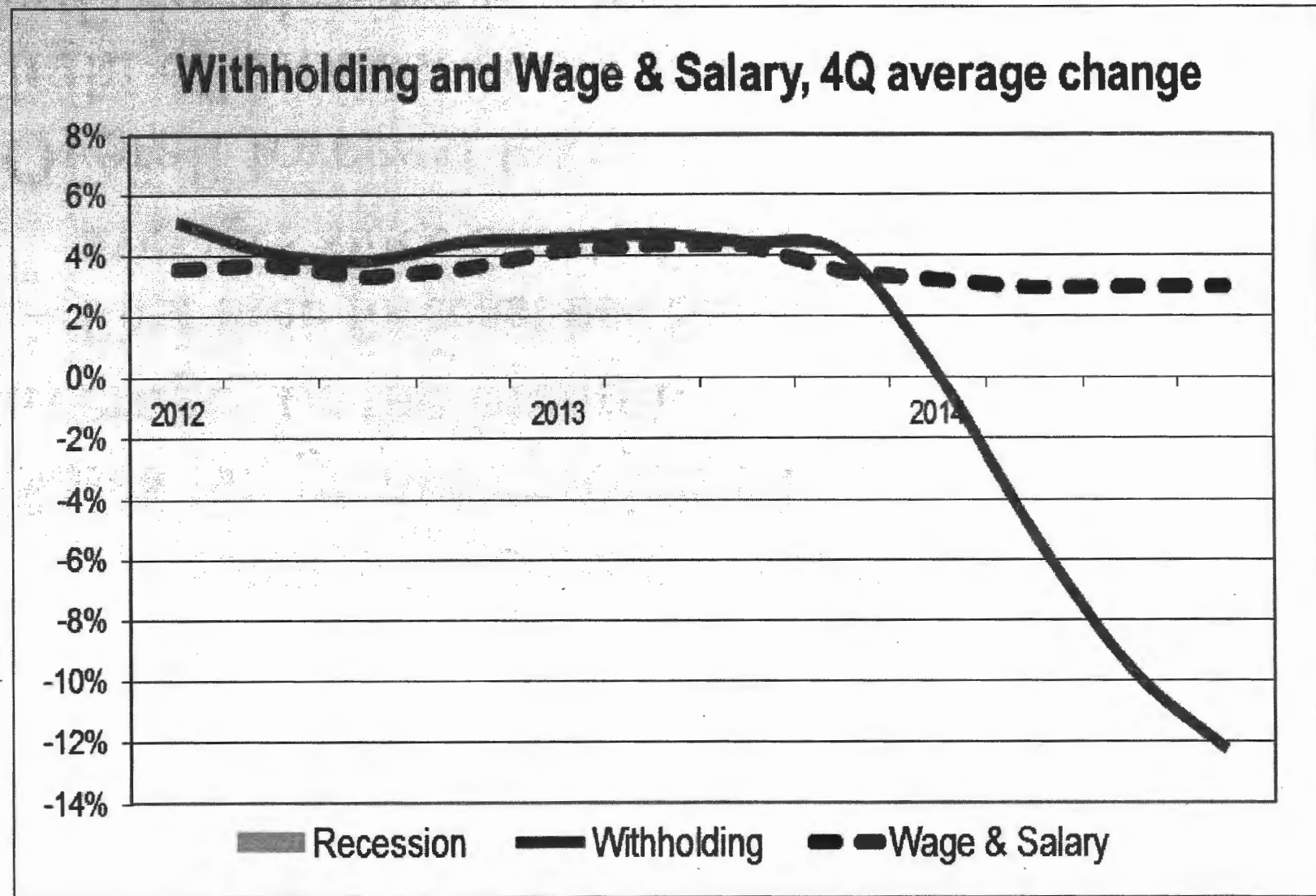
- Cautious approach needed for budgeting – added caution is warranted with over \$2 billion in tax changes enacted in 2013
- Forecast expects current year collections to be below the budgeted amount by \$271 million (1.3%)
 - Main cause is slower than expected wage growth
- **Important assumption is that April expectations for lower refunds and higher final payments are met**
 - Withholding changes
 - Broader tax base

Consensus Forecast



Net Withholding income growth (withholdings less refunds) dropped off dramatically from last year as a result of tax law changes in S.L. 2013-316. Even without the change net withholding would have weakened as wage and salary growth has dropped below three percent.

Consensus Forecast



Consensus Forecast

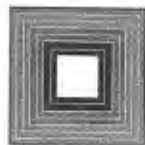
- **Personal Income** – employment gains begin to put upward pressure on wages
 - 3.7% and 4.5% growth in collections
- **Sales tax** growth projected to be slightly above average for the biennium
 - First time forecast has Sales growing faster than averages since onset of recession in 2008
- Overall forecast takes cautious approach in light of modest economic growth forecast and still developing tax impacts

Conclusions

- General Fund collections for the first 7 months are \$215 million below forecast target.
- Economic forecasts expect conditions to remain steady through 2017, but growth will remain modest.
- A 1.3% shortfall of \$271 million for this fiscal year.
- Assumption on April refunds and payments key.
- Projected stable economic conditions combined with cautious forecast results in modest revenue growth.



State Budget Overview and Outlook



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Presentation Overview

- 2013 and 2014 Legislative Session Budget Highlights
- FY 2014-15 State Budget Overview
- 2015 Session Budget Outlook
 - Base Budget
 - Budget Pressures
 - Other Budget Items



2013 Session Budget Highlights

- Enacted Tax Simplification & Reduction Act (H 998)
 - FY 2013-14: a net projected reduction of \$86.6M
 - FY 2014-15: a net projected reduction of \$437.8M
- Increased Savings Reserve Account, \$232M
- Funded Repairs & Renovations, \$150M
- Addressed Medicaid Budget Needs:
 - FY 2012-13 Medicaid shortfall, \$496M
 - FY 2013-14 Medicaid additional appropriation, \$434M

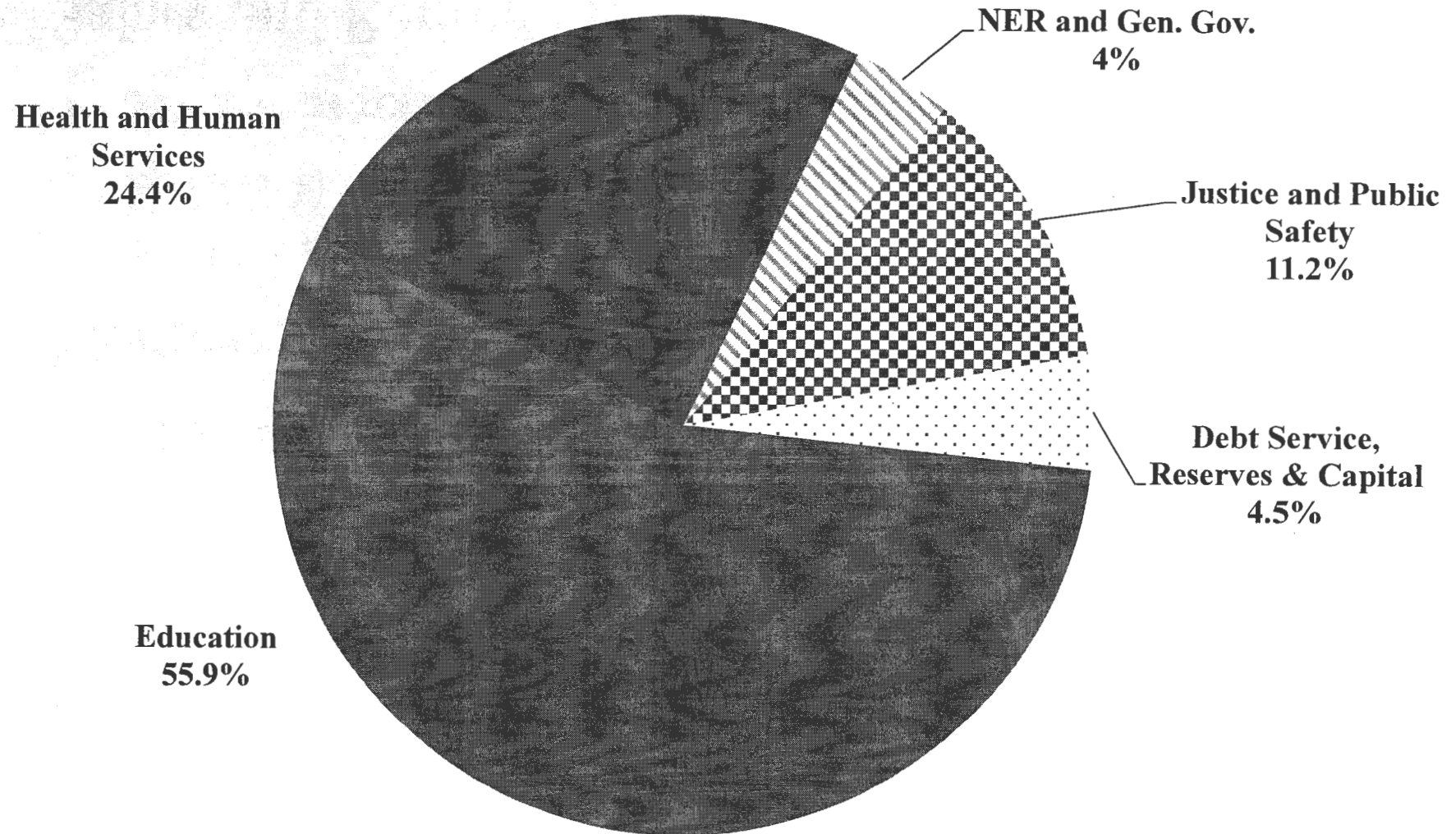
2014 Session Budget Highlights

- Availability Gap of \$644 M
 - Under-collection of revenue of \$453M
 - FY 2014-15 Consensus Forecast downward revision of \$191M
- Medicaid
 - \$136M projected claims backlog (carried over from FY 2013-14)
 - \$186M in reserve for FY 2014-15
- Salary and Retiree Increases of \$466M

Where Does the Money Go?

FY 2014-15

\$21.1B



Where Does the Money Go?

FY 2014-15 State Appropriations by Subcommittee Area

Education	11,775,270,816	56%
Health & Human Services	5,148,161,048	24%
Justice & Public Services	2,366,128,478	11%
Natural & Economic Resources	407,326,212	2%
General Government	427,467,752	2%
Debt Service	721,591,217	3%
Statewide Reserves & Capital	236,164,622	1%
Total	\$ 21,082,110,145	

Where Does the Money Go?

Key Budget Drivers

Public Schools	8,104,976,608	38%	} 79%
Higher Education	3,670,294,208	17%	
Medicaid	3,688,548,123	17%	
Prisons	1,086,734,280	5%	
Debt Service	721,591,217	3%	
Mental Health	680,063,746	3%	
Judicial ¹	463,893,072	2%	
All Other	2,426,944,002	13%	
Total	\$ 21,082,110,145		

¹Excludes Indigent Defense Services

How does NC's Current Budget Situation Compare to Other States?

States Project Budget Shortfalls (12)

States Project Overspending (23):

- Medicaid, 14 States
- Corrections, 9 States
- K-12, 8 States
- Social Services, 4 States

Source: State Budget Update, Fall 2014 – National Conference of State Legislatures

Top Fiscal Issues States are Facing in 2015

- Medicaid/Healthcare (22 states)
- K-12 Education Funding (21 states)
- State Tax Policy (15 states)
- Transportation (12 states)

Source: State Budget Update, Fall 2014 – National Conference of State Legislatures

NC's Budget Outlook

2015 Legislative Session



Budget Outlook

- **Base Budget (as defined in G.S. 143C-1-1(d)(1c))**
 - Continues most funding at FY 2014-15 levels
 - Annualizes partially funded items enacted in the 2014 Appropriations Act
- **Budget Pressures**
 - Includes projected costs for State Health Plan and Medicaid, enrollment growth for public schools and universities and other funding commitments
- **Other Budget Pressures**



FY 2015-17 Base Budget

	<u>FY 2015-16</u>	<u>FY 2016-17</u>
General Fund Consensus Revenue Forecast	21,409,900,000	22,296,600,000
Preliminary Base Budget	20,869,104,439	20,869,150,470
Balance Remaining¹	\$540,795,561	\$1,427,449,530

¹Makes no assumptions about adjustments in Availability or spending.



Budget Pressures

- FY 2014-15 Revenue Shortfall
- Medicaid Growth
- State Health Plan
- Public School Teacher Pay
- Public School Enrollment Growth
- University Enrollment
- Other Funding Commitments

Budget Pressures

FY 2015-17

Preliminary Estimates

	<u>FY 2015-16</u>	<u>FY 2016-17</u>
Medicaid Rebase	218,000,000	480,000,000
Public Schools Growth	70,000,000	140,000,000
University Enrollment Growth	47,500,000	78,500,000
State Health Plan	45,000,000	136,500,000
Funding Commitments:		
Teacher Pay to \$35k	41,850,000	41,850,000
Broughton Hospital	16,600,000	0
Job Maintenance and Capital Development Fund (JMAC)	9,500,000	8,500,000

Other Budget Pressures

FY 2015-17

- Economic Dev & Film Incentives (\$30M)
- Historic Tax Credits (\$9.6M - ???)
- Housing Loan Program (FY 2014-15, \$10M)
- Structural Budget Items (\$15M)
- Public Schools Driver's Education (\$26M)

Other Budget Pressures (cont.)

FY 2015-17

- State Employee Salary Increases (1% = \$134M)
- Retiree COLA (1% = \$39M)
- Other State Employee Pay Plans:
 - Teacher Step Increase (\$65M)
 - Highway Patrol, Magistrates & Clerks of Court (\$7.2M)
- Courts System Funding
- Capital
- Savings Reserve and Repair & Renovation Funds

Questions?

Fiscal Research Division

919-733-4910

Legislative Office Building

Suites 209 and 619



Senate Sgt at Arms

Steve Wilson

Marcus Kitts

Giles Jeffreys

Terry Barnhardt

Donna Blake

Dale Huff

Larry Hancock



Committee Sergeants at Arms

NAME OF COMMITTEE Joint Appropriation Committee

DATE: 2/2/15 Room: 643

House Sgt-At Arms:

1. Name: Young Bae Bill Morris

2. Name: Reggie Sills

3. Name: Marvin Lee

4. Name: Charles Godwin

5. Name: Warren Hawkins

Senate Sgt-At Arms:

1. Name: _____

2. Name: _____

3. Name: _____

4. Name: _____

5. Name: _____



VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS/BASE BUDGET

February 12, 2015

Name of Committee

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME _____

FIRM OR AGENCY AND ADDRESS

Fred Bone

Rose Asso.

M. K. Jones

D.P.

By 11 RVSTW

AGP

Karen Waddell

NCDOI

TJ Buysse

NP

Kathleen Tschy

AEU

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS/BASE BUDGET

February 12, 2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Amanda Horner	Troutman Sanders
Tonya Horner	TSS
Thom, W.	WV
Danice Brown	Troutman Sanders
Ala. Title	KLG
George Washington	DE, Inc.
Durwood	NS
Alan Briggs	NC Food Bank
Carr McLamb	AT Troutman Sanders
Nelson Freeman	Revenue
Trent Venable	DHHS



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

2/12/2015

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Martez Hill	SBE
Dan Crawford	NCCU
Mildred Spearman	NCAOC
Royce Helbrock	NC SBH
Grove Midway	NCSHA
Barbara Moore	Conf of Clerks of Sp Ct
MIKE McARTHUR	CLERK OF SUPERIOR COURT - Chowan
JAN Kennedy	Clerk of Superior Court - New Hanover County
Susan Frye	clerk of Superior Court - Forsyth County

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS/BASE BUDGET

February 12, 2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Adam Pridemore	NCAST
Isabel Velez-Daroca	NCAR
Wendy Kelly	Focus Carolina
Susan Harmon	NCSSWA
Rob Lammie	FLA
Amanda Syron	JDA
Amy Walsh	SA
Kara Weishaar	SA
Lowell Lackey	Intern
Bob Kott	DENR
Ryan Matic	Gov's Office



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

2/12/2015

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Sharon Miller	CUCA
Cindy Dhms	CUCA
Jackson Francis	LLS
Nadia Lehr	NCCN
Cassie Garin	Sierra Club
Rob Schiller	NC Symphony
Stan Williams	NC Symphony
Dick Culm	Law Office of R.H. Culm PLLC
Sam Skinner	NCACC
Heidi Thorne	NCACC
Corey Dunn	ISAKVC



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

2/12/2015

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Annaliese Dolph	DL
Mat Gross	NCPK
Meredith Pletch	Lawe's
Lexi Morgan	NCRMA
Brian Merwald	Williams Mullen
NICHOLE KARRIM	NAMU NC
Kay Castillo	NASW-NC
Matthew Cobb	Intern
Tom Bowlin	NC NATIONAL GUARD

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Appropriations** will meet as follows:

DAY & DATE: Wednesday, February 18, 2015
TIME: 3:30 PM
LOCATION: 643 LOB

The following bills will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 14	Acad. Standards/Rules Review/Coal Ash/Funds.	Senator Brown Senator Harrington Senator B. Jackson

Respectfully,
Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 5:07 PM on Tuesday, February 17, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Candace Slate (Committee Assistant)

House Committee on Appropriations

Wednesday, February 18, 2015 3:30 PM

643

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills:

BILL NO.	SHORT TITLE	SPONSOR
SB14	Acad. Standards/Rules Review/Coal Ash/Funds	Senator Brown Senator Harrington Senator B. Jackson

Adjournment



MINUTES
HOUSE COMMITTEE ON APPROPRIATIONS
Wednesday, February 18, 2015
3:30 p.m.
Legislative Office Building, Room 643

I. Call to Order

Senior Chair, Nelson Dollar presided and called the meeting to order at 3:38 p.m.

II. Introductions

Representative Dollar introduced students who were serving as House Pages.

III. Action Agenda Items

A. SB14 – Academic Standards/Rules Review/Coal Ash/Funds

Representative Dollar called upon Brian Matteson, Fiscal Research, to provide an overview of SB14. Four amendments were presented.

1. Amendment #3

Presented and sponsored by Representative Chuck McGrady: 1) Clarifies Coal Ash Management Commission Appropriations; 2) Clarifies the practice of Engineering does not include the development of a Dam Emergency Action Plan; and, 3) Extends the deadline for the submission of Emergency Action Plans for Dams not associated with coal combustion residuals surface impoundments to December 31, 2015.

Chairman Dollar asked for questions or concerns; none were offered. Chairman Dollar called for the question on Amendment #3. Amendment #3 passed by a unanimous vote.

2. Amendment #4

Presented and sponsored by Representative Craig Horn allows the North Carolina Department of Public Instruction (DPI) discretionary authority of the funds appropriated to DPI to cover the operating expenses of the Academic Standards Review Commission.

Chairman Dollar opened the floor for questions or concerns. He recognized Representative Larry Pittman who asked clarification regarding affirmation of no additional funding.



Chairman Dollar called for the question on Amendment #1. Amendment #1 passed by unanimous vote.

3. Amendment #2

Presented and sponsored by Chairman Dollar amends SB14 to provide that a State officer may serve on the Economic Development Partnership Board and prohibits a State employee from serving on said Board.

Chairman Dollar asked for questions or concerns; none were offered. Chairman Dollar called for the question on Amendment #2. Amendment #2 passed by unanimous vote.

4. Amendment #1

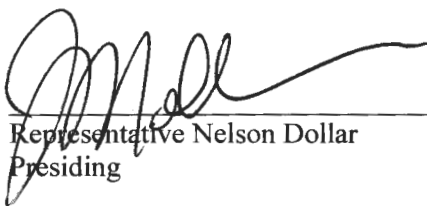
Presented and sponsored by Chairman Donny Lambeth adds a new section to release funds for the North Carolina Health Information Exchange to pay its operating costs.

Chairman Dollar asked for questions or concerns; none were offered. Chairman Dollar called for the question on Amendment #1. Amendment #1 passed by unanimous vote.

Chairman Dollar recognized Chairman Linda Johnson who moved favorable to SB14 as amended, rolled into a proposed Committee Substitute, with a favorable report to the Committee Substitute and an unfavorable report to the original Bill. The motion passed by a unanimous vote.

IV. Adjournment

The House Committee on Appropriations adjourned at 4:10 p.m.



Representative Nelson Dollar
Presiding



Panthea Briles, Committee Clerk

Attachments:

1. Agenda
2. SB14 and Summary
3. Amendments: #1, #2, #3 and #4
4. Visitor's Log





SENATE BILL 14: Acad. Standards/Rules Review/Coal Ash/Funds

2015-2016 General Assembly

Committee: Senate Appropriations/Base Budget
Introduced by: Sens. Brown, Harrington, B. Jackson
Analysis of: First Edition

Date: February 3, 2015
Prepared by: Ben Stanley
Committee Counsel

SUMMARY: *Senate Bill 14 makes funds available to cover litigation expenses of the Rules Review Commission, makes funds available to fund the operations of the Academic Standards Review Commission, and clarifies the appropriation of funds from the Coal Combustion Residuals Management Fund.*

BILL ANALYSIS: **Section 1** of the bill transfers \$100,000 of funds appropriated to the State Board of Education for the 2014-2015 fiscal year to the Rules Review Commission to be used to pay litigation costs incurred in the defense of *North Carolina State Board of Education v. The State of North Carolina and The Rules Review Commission*. It also provides that these funds shall not revert until the end of the 2015-2016 fiscal year.

Section 2 of the bill transfers \$275,000 of funds appropriated to the Department of Public Instruction for current operations of that Department for the 2014-2015 fiscal year to the Academic Standards Review Commission. These funds are to be used first to reimburse the Department of Administration for costs it has incurred to support of the Commission with the remainder to be used to support the operations of the Commission.

Section 3 of the bill provides that the funds transferred in Section 2 shall remain available to the Academic Standards Review Commission until it terminates and shall not revert until the end of the 2015-2016 fiscal year.

Section 4 of the bill prohibits the expenditure of any of the funds transferred in Section 2 on survey related to the adoption of academic standards.

Section 5 of the bill clarifies that the Academic Standards Review Commission is subject to the Public Records Act and the Open Meetings Law. It also requires that certain information be posted on the Commission's website and that official meetings of the Commission be streamed on the Internet.

Section 6 of the bill provides that in order to facilitate the transfer of funds required by Section 2, the State Board of Education shall reduce the operating budget of the Department of Public Instruction and shall make no reductions to funding or positions to certain entities.

Section 7 of the bill clarifies that it is the intent of the General Assembly that 26.5% of the funds in the Coal Combustion Residuals Management Fund shall be used by the Coal Ash Management Commission and that the remainder shall be used by the Department of Environment and Natural Resources.

Section 8 of the bill provides that up to 25, rather than exactly 25, positions are created in Department of Environment and Natural Resources to carry out the duties imposed by G.S. 130A-309.202. It also clarifies the amount of the appropriation to support the positions and provides that if there is a shortfall in the fund, appropriations to DENR and DPS are to be reduced in equal proportions.

EFFECTIVE DATE: Sections 7 and 8 of the bill become effective July 1, 2014. The remainder of the bill is effective when it becomes law.

Kory Goldsmith
Director



Legislative Drafting
(919) 733-6660

* S 1 4 - S M M D - 3 E 1 - V 5 *



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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SENATE BILL 14

Short Title: Acad. Standards/Rules Review/Coal Ash/Funds. (Public)
Sponsors: Senators Brown, Harrington, and B. Jackson (Primary Sponsors).
Referred to: Appropriations/Base Budget.

February 2, 2015

A BILL TO BE ENTITLED

AN ACT TO PROVIDE FUNDS FOR THE LITIGATION EXPENSES OF THE RULES REVIEW COMMISSION; TO PROVIDE FUNDS FOR THE OPERATING EXPENSES OF THE ACADEMIC STANDARDS REVIEW COMMISSION; TO REQUIRE THAT THE ACADEMIC STANDARDS REVIEW COMMISSION POST CERTAIN PUBLIC RECORDS ON ITS WEB SITE; AND TO CLARIFY COAL ASH MANAGEMENT COMMISSION APPROPRIATIONS.

The General Assembly of North Carolina enacts:

SECTION 1. Of the funds allocated to the State Board of Education for the 2014-2015 fiscal year for current operations of the State Board, the State Board of Education shall transfer the sum of one hundred thousand dollars (\$100,000) to the Office of Administrative Hearings to be allocated to the Rules Review Commission, created by G.S. 143B-30.1, to pay for any litigation costs incurred in the defense of *North Carolina State Board of Education v. The State of North Carolina and The Rules Review Commission*, Wake County Superior Court, File No. 14 CVS 14791 (filed November 7, 2014). These funds shall not revert at the end of the 2014-2015 fiscal year but shall remain available during the 2015-2016 fiscal year for expenditure in accordance with this section.

SECTION 2. Of the funds appropriated to the Department of Public Instruction for the 2014-2015 fiscal year for current operations of the Department, the Department shall transfer the sum of two hundred seventy-five thousand dollars (\$275,000) to the Department of Administration to support the operations of the Academic Standards Review Commission established in S.L. 2014-78. From these funds, an amount equal to the total of all costs incurred by the Department of Administration prior to the enactment of this act to support the operations of the Commission shall be credited to the Department. Expenditure of the remainder of these funds shall be made upon authorization by the Commission, only for the following:

- (1) Administrative assistance, including professional and clerical staff and any contracts for professional, clerical, and consultant services. Consultant services may include contracts with qualified experts on academic standards that may be used as an alternative to the Common Core Standards, including other state academic standards.
- (2) Technical assistance, including meeting rooms, telephones, office space, equipment, and supplies provided by the Department of Administration in accordance with Section 2(f) of S.L. 2014-78.
- (3) Per diem, subsistence, and travel allowances provided to Commission members in accordance with G.S. 138-5, 138-6, or 120-3.1, as appropriate.



1 **SECTION 3.** The funds transferred to the Department of Administration in Section
2 of this act shall not revert at the end of the 2014-2015 fiscal year but shall remain available
3 for expenditure in accordance with that section until the Commission terminates on December
4 31, 2015, or upon the filing of its final report, whichever occurs first. Any unexpended,
5 unencumbered balance of these funds shall revert to the General Fund on June 30, 2016.

6 **SECTION 4.** The General Assembly finds that considerable resources have already
7 been expended to allow teachers and members of the public to make known their opinions and
8 concerns surrounding adoption of academic standards. Specifically, the General Assembly
9 finds that (i) on March 20, 2014, a Legislative Research Commission committee heard more
10 than two hours of comment from stakeholders and interested members of the public on the
11 subject; and (ii) on October 20, 2014, the Department of Public Instruction surveyed every
12 public school teacher in the State on the subject. Accordingly, funds transferred pursuant to
13 Section 2 of this act shall not be used by the Academic Standards Review Commission to
14 conduct any survey related to the adoption of academic standards or to contract for the
15 performance of such a survey by any third party.

16 **SECTION 5.** Notwithstanding any other provision of law, the Academic Standards
17 Review Commission is subject to the Public Records Act, Chapter 132 of the General Statutes,
18 and the Open Meetings Law, Article 33C of Chapter 143 of the General Statutes. Additionally,
19 the Commission shall have the duty to comply with all of the following:

- 20 (1) All minutes, agendas, handouts, and presentations created during the course
21 of the Commission's work, and any audio recordings of the Commission's
22 meetings, shall be published on the Commission's Web site.
- 23 (2) All official meetings, as that term is defined in G.S. 143-318.10, of the
24 Commission shall be streamed live over the Internet in a manner that allows
25 members of the public to listen to the proceedings.

26 **SECTION 6.** In implementing Section 2 of this act, the State Board of Education
27 shall make reductions to the operating budget of the Department of Public Instruction and shall
28 make no reduction to funding or positions for:

- 29 (1) The North Carolina Center for Advancement of Teaching.
- 30 (2) The Eastern North Carolina School for the Deaf, the North Carolina School
31 for the Deaf, and the Governor Morehead School.
- 32 (3) Communities in Schools of North Carolina, Inc.
- 33 (4) Teach for America, Inc.
- 34 (5) Beginnings For Parents of Children Who Are Deaf or Hard of Hearing, Inc.

35 **SECTION 7.** G.S. 62-302.1(d) reads as rewritten:

36 **"§ 62-302.1. Regulatory fee for combustion residuals surface impoundments.**

37 ...
38 (d) Use of Proceeds. – A special fund in the Office of State Treasurer and the Coal Ash
39 Management Commission is created. The fees collected pursuant to this section and all other
40 funds received by the Coal Ash Management Commission shall be deposited in the Coal
41 Combustion Residuals Management Fund. The Fund shall be placed in an interest-bearing
42 account, and any interest or other income derived from the Fund shall be credited to the Fund.
43 ~~Moneys in the Fund shall only be spent pursuant to appropriation by the General Assembly.~~
44 Subject to appropriation by the General Assembly, twenty-six and one-half percent (26.5%) of
45 the moneys in the Fund shall be used by the Coal Ash Management Commission and the
46 remainder shall be used by the Department of Environment and Natural Resources. The
47 Commission shall be subject to the provisions of the State Budget Act, except that no
48 unexpended surplus of the Coal Combustion Residuals Management Fund shall revert to the
49 General Fund. All funds credited to the Fund shall be used only to pay the expenses of the Coal
50 Ash Management Commission and the Department of Environment and Natural Resources in
51 providing oversight of coal combustion residuals."

1 **SECTION 8.** Sections 15(c) through 15(e) of S.L. 2014-122 read as rewritten:

2 **"SECTION 15.(c)** ~~Twenty-five~~Up to twenty-five receipt-supported positions are created in
3 the Department of Environment and Natural Resources to carry out the duties in Part 2I of
4 Article 9 of Chapter 130A of the General Statutes. There is appropriated from the Coal
5 Combustion Residuals Management Fund the sum of one million seven hundred fifty thousand
6 dollars (\$1,750,000) to the Department of Environment and Natural Resources to support the
7 positions for the 2014-2015 fiscal year.

8 **SECTION 15.(d)** Five receipt-supported positions are created in the Division of
9 Emergency Management of the Department of Public Safety to carry out the duties in
10 G.S. 130A-309.202. ~~The funds remaining in the Coal Combustion Residuals Management Fund~~
11 ~~after the appropriation to the Department of Environment and Natural Resources are~~
12 ~~appropriated to the Department of Public Safety for the 2014-2015 fiscal year. There is~~
13 appropriated from the Coal Combustion Residuals Management Fund the sum of six hundred
14 thirty thousand dollars (\$630,000) to the Department of Public Safety to support the positions
15 for the 2014-2015 fiscal year. These positions shall be used to provide assistance to the Coal
16 Ash Management Commission established by G.S. 130A-309.202, as enacted by Section 3(a)
17 of this act. The positions shall be assigned in the following manner: one of the positions shall
18 be the executive director of the staff, two positions shall be assigned as analysts, one position
19 shall be assigned as a technician, and one position shall be assigned as administrative. The
20 Division of Emergency Management in the Department of Public Safety shall consult with the
21 Chair of the Commission in hiring the staff for the Coal Ash Management Commission. The
22 Division of Emergency Management in the Department of Public Safety shall provide support
23 to the Commission until the staff of the Commission is hired, including the designation of an
24 individual to serve as an interim executive director of the staff.

25 **SECTION 15.(e)** If the moneys in the Coal Combustion Residuals Management Fund are
26 insufficient to support the appropriations set out in subsection 15(c) and subsection 15(d) of
27 this section for the 2014-2015 fiscal year, then each appropriation is hereby reduced on a
28 proportional basis.

29 ~~**SECTION 15.(e)**~~**SECTION 15.(f)** Subsection (a) of this section becomes effective July 1,
30 2014, and expires April 1, 2030, and applies to jurisdictional revenues earned on or after July 1,
31 2014, and before April 1, 2030. The remainder of this section becomes effective July 1, 2014."

32 **SECTION 9.** Sections 7 and 8 of this act become effective July 1, 2014. The
33 remainder of this act is effective when it becomes law.



**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

APPROPRIATIONS COMMITTEE REPORT

Representative Nelson Dollar, Senior Chair

Representative Linda P. Johnson, Co-Chair

Representative Donny Lambeth, Co-Chair

Representative Chuck McGrady, Co-Chair

FAVORABLE HOUSE COM SUB, UNFAVORABLE ORIGINAL BILL

SB 14

Acad. Standards/Rules Review/Coal Ash/Funds.

Draft Number: S14-PCS35034-LR-1

Serial Referral: None

Recommended Referral: None

Long Title Amended: Yes

Floor Manager: Dollar

TOTAL REPORTED: 1



*** C M R 9 - V - 1 ***



SB
~~HB~~ 14

_____(Date)

D - Division





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 14

AMENDMENT NO. 1
(to be filled in by
Principal Clerk)

S14-AMG-2 [v.1]

Page 1 of 3

Comm. Sub. [NO]
Amends Title [YES]
First Edition

Date _____, 2015

Representative Lambeth

moves to amend the bill on page 1, lines 2-7, by rewriting the lines to read:

"AN ACT TO PROVIDE FUNDS FOR THE LITIGATION EXPENSES OF THE RULES REVIEW COMMISSION; TO PROVIDE FUNDS FOR THE OPERATING EXPENSES OF THE ACADEMIC STANDARDS REVIEW COMMISSION; TO REQUIRE THAT THE ACADEMIC STANDARDS REVIEW COMMISSION POST CERTAIN PUBLIC RECORDS ON ITS WEB SITE; TO CLARIFY COAL ASH MANAGEMENT COMMISSION APPROPRIATIONS; AND TO LIMIT THE USE OF FUNDS APPROPRIATED TO THE DEPARTMENT OF HEALTH AND HUMAN SERVICES FOR HEALTH INFORMATION EXCHANGE.";

and on page 3, line 31, by inserting a new section after the line to read:

"SECTION 9.(a) Notwithstanding any other provision of law to the contrary, the sum of two million dollars (\$2,000,000) appropriated to the Department of Health and Human Services, Division of Central Management and Support, for the health information exchange for the 2014-2015 fiscal year shall be nonrecurring. The Department shall not, under any circumstances, use any portion of this two million dollars (\$2,000,000) in nonrecurring funds for any purpose not expressly authorized under section 12A.2 of S.L. 2014-100, as amended by this act.

SECTION 9.(b) Section 12A.2 of S.L. 2014-100 reads as rewritten:

~~'SECTION 12A.2.(a) It is the intent of the General Assembly:~~

(1) ~~To maximize receipt of federal funds for administration and support of the statewide health information exchange network (HIE Network).~~

~~(2) To allow the North Carolina Health Information Exchange (NC HIE), the nonprofit corporation responsible for overseeing and administering the HIE Network, to receive the State's share of available federal funds for administration and support of the HIE Network in order to reduce the operating costs of the HIE Network by an amount sufficient to allow for the elimination or reduction of the participation fee the NC HIE currently imposes on hospitals required to connect to the HIE Network pursuant to G.S. 90-413.3A.~~

~~(3) Beginning with the 2015-2016 fiscal year, to make the Department of Health and Human Services, Division of Central Management and Support, responsible for using State funds to draw down available matching federal funds for administration and support of the HIE Network.~~



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 14

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

S14-AMG-2 [v.1]

Page 3 of 3

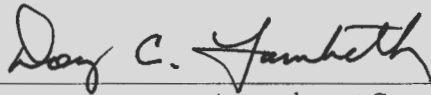
1 SECTION 12A.2.(d) By September 1, 2015, the Department, in conjunction with
2 the Office of the SCIO and the North Carolina Government Data Analytics Center, shall submit
3 both of the following to the Joint Legislative Oversight Committees on Health and Human
4 Services and Information Technology:

- 5 (1) An assessment of the best business model and operational structure for
6 administering a statewide health information exchange network in this State.
7 (2) A recommendation as to whether the NC HIE should continue to oversee
8 and administer this State's HIE Network.""; and
9

10 on page 3, lines 32-33, by rewriting the lines to read:

11 **SECTION 10.** Sections 7 and 8 of this act become effective July 1, 2014. Section 9
12 of this act is effective when the act becomes law or June 30, 2015, whichever is earlier. The
13 remainder of this act is effective when it becomes law.

SIGNED



Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

☒

FAILED

TABLED

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NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 14

AMENDMENT NO. 2
(to be filled in by
Principal Clerk)

Page 1 of 1

S14-ALR-2 [v.5]

Comm. Sub. [NO]
Amends Title [YES]
First Edition

Date _____, 2015

Representative Dollar

moves to amend the bill on page 1, line 6, by inserting the following immediately before the semi-colon: "TO PROVIDE THAT A STATE OFFICER MAY SERVE ON THE ECONOMIC DEVELOPMENT PARTNERSHIP BOARD"; and

moves to amend the bill on page 3, lines 32-33, by rewiring the lines to read:

"SECTION 9. G.S. 143B-431.01(d)(2)(c) reads as rewritten:

(d) Limitations. -- Prior to contracting with a North Carolina nonprofit corporation pursuant to this section and in order for the North Carolina nonprofit corporation to receive State funds, the following conditions shall be met:

(2) The nonprofit corporation adheres to the following governance provisions related to its governing board:

c. No State ~~officer or~~ employee may serve on the board.

SECTION 10. Sections 7 and 8 of this act become effective July 1, 2014. The remainder of this act is effective when it becomes law."

SIGNED

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

FAILED

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* S 1 4 - A 1 B - 2 - V - 5 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 14

AMENDMENT NO. 3
(to be filled in by
Principal Clerk)

Page 1 of 3

S14-ASB-1 [v.1]

Comm. Sub. [NO]
Amends Title [YES]
First Edition

Date _____, 2015

Representative McGrady

moves to amend the bill on page 1, lines 6 and 7,
by rewriting those lines to read:

"RECORDS ON ITS WEB SITE; TO CLARIFY COAL ASH MANAGEMENT COMMISSION APPROPRIATIONS; TO CLARIFY THAT THE PRACTICE OF ENGINEERING DOES NOT INCLUDE THE DEVELOPMENT OF A DAM EMERGENCY ACTION PLAN; AND TO EXTEND THE DEADLINE FOR THE SUBMISSION OF EMERGENCY ACTION PLANS FOR DAMS NOT ASSOCIATED WITH COAL COMBUSTION RESIDUALS SURFACE IMPOUNDMENTS TO DECEMBER 31, 2015."

and on page 3, lines 32 and 33,
by rewriting those lines to read:

"SECTION 9.(a) G.S. 89C-3(6) reads as rewritten:

"§ 89C-3. Definitions.

The following definitions apply in this Chapter:

...
(6) Practice of engineering. —

a. Any service or creative work, the adequate performance of which requires engineering education, training, and experience, in the application of special knowledge of the mathematical, physical, and engineering sciences to such services or creative work as consultation, investigation, evaluation, planning, and design of engineering works and systems, planning the use of land and water, engineering surveys, and the observation of construction for the purposes of assuring compliance with drawings and specifications, including the consultation, investigation, evaluation, planning, and design for either private or public use, in connection with any utilities, structures, buildings, machines, equipment, processes, work systems, projects, and industrial or consumer products or equipment of a mechanical, electrical, hydraulic, pneumatic or thermal nature, insofar as they involve safeguarding life, health or property, and



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 14

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

S14-ASB-1 [v.1]

Page 2 of 3

1 including such other professional services as may be necessary to the
2 planning, progress and completion of any engineering services.

3 A person shall be construed to practice or offer to practice
4 engineering, within the meaning and intent of this Chapter, who
5 practices any branch of the profession of engineering; or who, by
6 verbal claim, sign, advertisement, letterhead, card, or in any other
7 way represents the person to be a professional engineer, or through
8 the use of some other title implies that the person is a professional
9 engineer or that the person is licensed under this Chapter; or who
10 holds the person out as able to perform, or who does perform any
11 engineering service or work not exempted by this Chapter, or any
12 other service designated by the practitioner which is recognized as
13 engineering.

- 14 b. The term "practice of engineering" shall not be construed to permit
15 the location, description, establishment or reestablishment of
16 property lines or descriptions of land boundaries for conveyance. The
17 term does not include the assessment of an underground storage tank
18 required by applicable rules at closure or change in service unless
19 there has been a discharge or release of the product from the tank.
20 The term does not include the development of an Emergency Action
21 Plan pursuant to G.S. 143-215.31."

22 **SECTION 9.(b)** Section 8.(b) of S.L. 2014-122 reads as rewritten:

23 "SECTION 8.(b) Notwithstanding G.S. 143-215.31, as amended by Section 8(a) of
24 this act, the owners of all high-hazard dams and intermediate-hazard dams associated with coal
25 combustion residuals surface impoundments, as defined by G.S. 130A-309.201, in operation on
26 the effective date of this act shall submit their proposed Emergency Action Plans to the
27 Department of Environment and Natural Resources and the Department of Public Safety no
28 later than March 1, 2015. Notwithstanding G.S. 143-215.31, as amended by Section 8(a) of
29 this act, the owners of all high-hazard dams and intermediate-hazard dams not associated with
30 coal combustion residuals surface impoundments, as defined by G.S. 130A-309.201, in
31 operation on the effective date of this act shall submit their proposed Emergency Action Plans
32 to the Department of Environment and Natural Resources and the Department of Public Safety
33 no later than December 31, 2015."

34 **SECTION 10.** Sections 7 and 8 of this act become effective July 1, 2014. Section
35 9 of this act is effective retroactively to September 20, 2014. The remainder of this act is
36 effective when it becomes law."

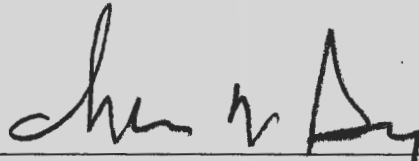
NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 14

S14-ASB-1 [v.1]

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

Page 3 of 3

SIGNED



Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

✓

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TABLED



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 14

AMENDMENT NO. 4
(to be filled in by
Principal Clerk)

S14-ALE-3 [v.2]

Page 1 of 1

Comm. Sub. [NO]
Amends Title [NO]
First Edition

Date _____, 2015

Representative Horn

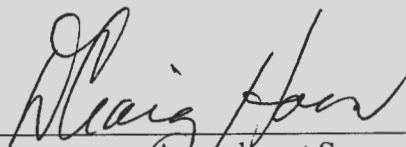
1 moves to amend the bill on page 1, lines 9-10, by rewriting the lines to read:

2 "SECTION 1. Of the funds appropriated to the Department of Public Instruction
3 for the 2014-2015 fiscal year, the Department";

4
5 And further moves to amend the bill on page 1, lines 18-19, by rewriting the lines to read:

6 "SECTION 2. Of the funds appropriated to the Department of Public Instruction
7 for the 2014-2015 fiscal year, the Department shall".
8
9
10

SIGNED


Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED



* S 1 4 - A L E - 3 - V - 2 *

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

2/18/15
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Don Corbin	can afford reconnect place
Erin Wynia	NCLM
Mike Casanova	NCHAA
Steven Woods	NCHAA
Paul Bealri	NCDPI
Zoe Stillwell	NCSBE
Terry Schill	NCTA
Chang	CSS
Mika Agosta	NCHSA
By Co	NCHSA
Dana Simpson	SA
Kara Weishaar	SA



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

2/18/15

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Martez Hill	NC SBE
Bruce Mildward	NSSBA
Regina Holbrook	NC SBA
Lexi Morgan	NCRMA
Betsy Banting	PERC
Steve Laurie	Shaw-Watts Science Museum
Danica Breen	Trotman Sanders
Carl McLamb	Trotman Sanders
Bo Heath	McBride Woodz
Meghan Cook	OITS
Nelson Freeman	DOR



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

2/18/15

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

TOM F	DST
J. M. Joyner	PFFRNC
David Collins	SEAN C
Ardis Watkins	SEAN C
[Signature]	Misc
TRACY DAVIS	DEK-DEMLR
Susan Vick	Duke Energy
Will Culpepper	MVA
Gulyn Hawthorne	BHGR
Cassie Garvin	Sierra Club
Jackson Francis	CCS



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

211815

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME _____

FIRM OR AGENCY AND ADDRESS.

Dennis Berwyn
Molly Masich

Staff C. MALONG-

Chris Agnew

Dot

Don Wally

hilly

Tracy Kimbrell

Panzer Poe



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

2/18/15

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Whitney Christensen

Ward & Smith, P.A.



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

2/18/15

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

TJ Byrbee

NP

Patrick Buffen

NCAEL

Paul Burr

Born: Asso.

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Appropriations** will meet as follows:

DAY & DATE: Tuesday, March 3, 2015
TIME: 15 Minutes After Session
LOCATION: 643 LOB
COMMENTS: Bills to be Announced.

Respectfully,
Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 4:01 PM on Monday, March 02, 2015.

___ Principal Clerk
___ Reading Clerk – House Chamber

Candace Slate (Committee Assistant)



**House Committee on Appropriations
March 3, 2015 2:30/15 Minutes after Session
643**

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills:

BILL NO. SHORT TITLE

SB 20 IRC Update/Motor Fuel Tax
Changes

HB117 NC Competes Act

SPONSOR

Senator Rabon
Senator Rucho
Senator Tillman

Representative S. Martin
Representative Jeter
Representative Collins
Representative Steinburg

Adjournment



MINUTES
HOUSE COMMITTEE ON APPROPRIATIONS

Tuesday, March 3, 2015

3:45 p.m.

Legislative Office Building, Room 643

I. Call to Order

Senior Chair, Nelson Dollar presided and called the meeting to order at 3:45 p.m.

II. Introductions

Representative Dollar introduced students who were serving as House Pages.

III. Action Agenda Items

A. SB20 – IRC Update/Motor Fuel Tax Changes

Representative Dollar called upon Representative William Brawley to review the summary of the 4th Edition of SB20. The 4th Edition of SB 20 consists of two parts: 1) Updates the reference to the Internal Revenue Code from December 31, 2013 to January 1, 2015 used in determining certain State tax provisions; and, 2) Makes changes to the motor fuels tax. The overall purpose is to stabilize funding.

Representative Brawley moved for favorable report as to SB20, 4th Edition.

Chairman Dollar opened the floor for questions or concerns. He recognized Representatives Michaux, Queen, Catlin, Bumgardner, Graham, Millis, and Hurley.

Chairman Dollar called for the question on the 4th Edition of Senate Bill 20. The 4th Edition of SB 20 passed by unanimous vote.

B. HB117 – NC Competes Act

Representative Susan Martin provided background information on the Job Development Investment Grant (**JDIG**) established in 2002. The Second Edition of HB 117, NC Competes Act modifies the JDIG program.

1. Amendment #1

Presented and sponsored by Representative Dollar adds language that requires the Department of Commerce to study factors that have contributed to the termination of grants awarded.



2. Amendment #1 of Amendment

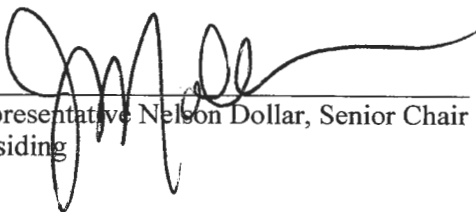
Representative David Lewis moved to amend the amendment by deleting December 1, 2015 and substituting March 1, 2016.

Representative Roger West moved for favorable report as to HB 117 and favorable as to Amendment #1 as amended.

Chairman Dollar called for the question. Vote on the motion was unanimous..

IV. Adjournment

The House Committee on Appropriations adjourned at 4:25 p.m.



Representative Nelson Dollar, Senior Chair
Presiding



Panthea Briles, Committee Clerk

Attachments:

1. Agenda
2. SB20 and Summary
3. HB117 and Summary
4. History: Job GRO Program/JDIG Summary
5. Amendment: #1
6. Amendment of the Amendment





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 117

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

Page 1 of 1

H117-AMC-6 [v.4]

Comm. Sub. [NO]
Amends Title [NO]
Second Edition

Date _____, 2015

Representative Dollar

moves to amend the bill on page 3, lines 2-3, by inserting between the lines the following language to read:

"SECTION 1.(j) The Department of Commerce shall study the factors that have contributed to the termination of grants awarded pursuant to Part 2G of Article 10 of Chapter 143B of the General Statutes. In conducting the study required by this subsection, the Department shall examine the efforts of other states that have permitted similar economic development programs to incent businesses to create jobs for the purpose of determining best practices for remediating underperformance of participating businesses in order to lower the incidence of community economic development agreements under G.S. 143B-437.57 ending in termination. The Department shall submit the report to the House of Representatives Finance Committee, the Senate Finance Committee, the House Committee on Agriculture and Natural and Economic Resources, the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division no later than December 1, 2015.";

and by re-lettering the remaining subsection in section 1 accordingly.

SIGNED

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED FAILED TABLED





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 117

AMENDMENT NO. 1
(to be filled in by
Principal Clerk)

Page 1 of 1

H117-AMC-6 [v.4]

Comm. Sub. [NO]
Amends Title [NO]
Second Edition

Date _____, 2015

Representative Dollar

1 moves to amend the bill on page 3, lines 2-3, by inserting between the lines the following
2 language to read:

3 **"SECTION 1.(j)** The Department of Commerce shall study the factors that have
4 contributed to the termination of grants awarded pursuant to Part 2G of Article 10 of Chapter
5 143B of the General Statutes. In conducting the study required by this subsection, the
6 Department shall examine the efforts of other states that have permitted similar economic
7 development programs to incent businesses to create jobs for the purpose of determining best
8 practices for remediating underperformance of participating businesses in order to lower the
9 incidence of community economic development agreements under G.S. 143B-437.57 ending in
10 termination. The Department shall submit the report to the House of Representatives Finance
11 Committee, the Senate Finance Committee, the House Committee on Agriculture and Natural
12 and Economic Resources, the Senate Appropriations Committee on Natural and Economic
13 Resources, and the Fiscal Research Division no later than December 1, 2015.";

14

15 and by re-lettering the remaining subsection in section 1 accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED FAILED TABLED





NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. H117-AMC-6(v4)

H. B. No. _____

DATE 3/3/2015

S. B. No. _____

Amendment No. _____

COMMITTEE SUBSTITUTE _____

(to be filled in by
Principal Clerk)

Rep.)

Lewis

Sen.)

1 moves to amend the ^{the amendment} bill on page 1, line 13

2 () WHICH CHANGES THE TITLE

3 by deleting "December 1, 2015." and substituting
4 "March 1, 2016."

5 _____

6 _____

7 _____

8 _____

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10 _____

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12 _____

13 _____

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15 _____

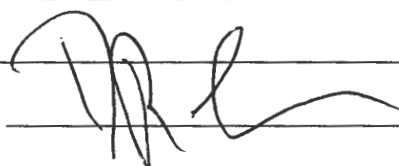
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17 _____

18 _____

19 _____

SIGNED



ADOPTED _____ FAILED _____ TABLED _____

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)



NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. H117-AMC-6(v4)

H. B. No. _____

DATE 3/3/2015

S. B. No. _____

Amendment No. _____

COMMITTEE SUBSTITUTE _____

(to be filled in by
Principal Clerk)

Rep.)

Lewis

Sen.)

1 moves to amend the ^{the amendment} bill on page 1, line 13

2 () WHICH CHANGES THE TITLE

3 by deleting "December 1, 2015." and substituting
4 "March 1, 2016."

5 _____

6 _____

7 _____

8 _____

9 _____

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11 _____

12 _____

13 _____

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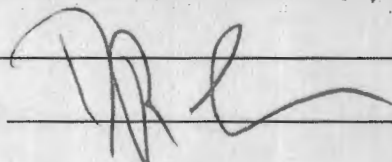
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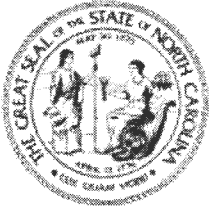
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SENATE BILL 20: IRC Update/Motor Fuel Tax Changes

2015-2016 General Assembly

Committee: House Appropriations
Introduced by: Sens. Rabon, Rucho, Tillman
Analysis of: Fourth Edition

Date: March 3, 2015
Prepared by: Trina Griffin
Staff Attorney

SUMMARY: *The 4th Edition of Senate Bill 20 consists of two Parts. The first Part updates from December 31, 2013, to January 1, 2015, the reference to the Internal Revenue Code used in determining certain State tax provisions. The bill conforms to the \$250 teacher expense deduction and to the income exclusion for debt forgiveness on a principal residence,¹ but it decouples from the following extensions under the federal Tax Increase Prevention Act of 2014 for the 2014 tax year:*

- *Enhanced Section 179 expensing*
- *Deduction for mortgage insurance premiums*
- *Deduction for higher education tuition expenses*
- *Tax-free distribution from IRAs to public charities*

The second Part makes the following changes to the motor fuels tax:

- *Reduces the motor fuels tax rate from 37.5 cents to 36 cents beginning April 1, 2015, and until January 1, 2016. The bill, as passed by the Senate, reduces the rate to 35 cents beginning March 1, 2015, and until January 1, 2016.²*
- *Replaces the two 6-month base periods used in determining the gas tax rate with a single 12-month base period, beginning January 1, 2016. The Senate version contained the same provision, but it would have become effective March 1, 2015.*
- *Makes \$3.35 million and \$10.1 million reductions in the Highway Trust Fund and Highway Fund budgets for the 2014-2015 fiscal year. The Senate version had a total cut of approximately \$33 million.*

PART I: IRC UPDATE

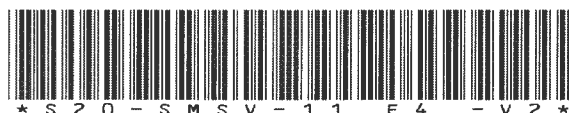
CURRENT LAW: North Carolina's tax law tracks many provisions of the federal Internal Revenue Code by reference to the Code.³ The General Assembly determines each year whether to update its reference to the Code.⁴ Updating the reference makes recent amendments to the Code applicable to the

¹ The Senate version decoupled from this provision.

² The Senate version also changed the variable component of the formula for determining the rate, beginning January 1, 2016, to the greater of 17 ½ cpg or 9.9% of the average wholesale price of motor fuel.

³ North Carolina first began referencing the Internal Revenue Code in 1967, the year it changed its taxation of corporate income to a percentage of federal taxable income.

⁴ The North Carolina Constitution imposes an obstacle to a statute that automatically adopts any changes in federal tax law. Article V, Section 2(1) of the Constitution provides in pertinent part that the "power of taxation ... shall never be surrendered, suspended, or contracted away." Relying on this provision, the North Carolina court decisions on delegation of legislative power to administrative agencies, and an analysis of the few federal cases on this issue, the Attorney General's Office concluded in a memorandum issued in 1977 to the Director of the Tax Research Division of the Department of Revenue that a "statute which adopts by reference future amendments to the Internal Revenue Code would ... be invalidated as an unconstitutional delegation of legislative power."



Senate Bill 20

Page 2

State to the extent that State law previously tracked federal law. The General Assembly's decision whether to conform to federal changes is based on the fiscal, practical, and policy implications of the federal changes and is normally enacted in the following year, rather than in the same year the federal changes are made. Maintaining conformity with federal tax law simplifies tax reporting because a taxpayer will not need to account for differing federal and State treatment of the same asset. The current reference to the Code is December 31, 2013.

BACKGROUND: On December 19, 2014, the Tax Increase Prevention Act of 2014 (TIPA) was signed into law⁵ and extended several provisions that were enacted last year in the American Taxpayer Relief Act (ATRA). ATRA was intended to avert the anticipated "fiscal cliff" due to the sunset provisions scheduled to take effect in 2013 that would have ended the Bush-era tax cuts contained in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA), which were temporarily extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (2010 Tax Relief Act).

ANALYSIS:

UPDATE IRC REFERENCE DATE

Section 1.1 of the bill would update the reference to the Code from December 31, 2013, to January 1, 2015.

COUPLED PROVISIONS

By updating the reference to the Code, North Carolina would conform to various provisions, including the following:

Teachers' Classroom Expense Deduction

This bill would result in conformity with the extension of the federal teachers' classroom expense deduction for tax year 2014.

Explained. – This deduction allows primary and secondary education professionals to take an above-the-line deduction for qualified expenses up to \$250 paid out-of-pocket during the year.

Federal Background. – This deduction was established under EGTRRA in 2001 (beginning with tax year 2002) and was scheduled to expire in 2006. It was subsequently extended through 2013. TIPA extended the deduction for one more year.

North Carolina Background. – Prior to 2012, teachers in North Carolina were allowed the deduction at the State level because North Carolina began its calculation of taxable income with federal AGI. In 2012, North Carolina enacted a stand-alone individual income tax deduction for this purpose. The stand-alone provision was enacted because, at the time, the federal deduction was set to expire and Congress had not yet acted to extend it. However, this deduction was repealed as part of the Tax Simplification and Reduction Act of 2013 (HB 998), effective for tax years beginning on or after January 1, 2014. Because Congress has extended the deduction for tax year 2014, the update of the IRC reference in this bill would mean that teachers will continue to be able to take advantage of this deduction.

⁵ P.L. 113-295.

Income Exclusion for Discharge of Qualified Principal Residence Indebtedness

The PCS conforms to the extension of the income exclusion for the discharge of qualified principal residence indebtedness. The cost to conform to this provision is approximately \$14 million.

Explained. – Taxpayers are generally required to recognize income from the discharge of indebtedness. An exception from this rule is for the discharge of qualified principal residence indebtedness, which has been excludible from gross income on a temporary basis since 2007.⁶ The exclusion is limited to \$2 million, and applies to indebtedness incurred in the acquisition, construction, or substantial improvement of a principal residence and secured by the residence.

Federal Background. – This exclusion was scheduled to expire for debt discharged after December 31, 2013, but was extended for one year under TIPA.

North Carolina Background. – North Carolina conformed to this provision from 2007 through 2012, but decoupled for the first time for tax year 2013. The bill, as passed by the Senate, decoupled from this provision.

DECOUPLED PROVISIONS⁷

Section 179 Expensing

Section 1.2 of the act does not conform to the one-year extension of the enhanced section 179 expensing provision. For tax year 2014, the deduction and investment limits are \$25,000 and \$200,000, which are what the limits would have been at the federal level if TIPA had not been enacted. However, it does conform to the definition of qualifying Section 179 property.

The act further provides that the property's basis will be the same for federal and State purposes and treats the difference in the same manner as State tax law has historically treated the bonus depreciation: A taxpayer must add back 85% of the additional expensing taken under federal law in 2014 and then deduct 20% of this amount over the succeeding five years. Full conformity to the section 179 expense deduction would have been \$52 million.

Explained. – Section 179 of the Code allows taxpayers to immediately deduct, rather than gradually depreciate, the cost of qualified assets, subject to certain limitations.⁸ Use of the allowance has two components: a dollar limitation and an investment limitation. The dollar limitation is the maximum amount of the deduction that the taxpayer may elect to take. The investment limitation is the maximum amount that can be spent on equipment before the deduction begins to be reduced. The deduction is reduced, dollar for dollar, by the amount that exceeds the investment limitation. Prior to 2010, section 179 was commonly thought to apply to small businesses because of its maximum deduction and investment limits.⁹ However, the enhancements made by the Small Business Jobs Act

⁶ This exclusion was originally authorized in the Mortgage Debt Relief Act of 2007.

⁷ Since 2002, North Carolina has decoupled from the federal bonus depreciation provisions. Under the Tax Simplification and Reduction Act⁷, North Carolina permanently decoupled from this provision, which means that the General Assembly does not have to take any action to decouple from this provision to the extent Congress continues to extend it. Therefore, although Congress extended the 50% bonus depreciation provision for one more year under TIPA, North Carolina does not conform to this extension. For taxable years beginning on or after January 1, 2014, a taxpayer is required to add back 85% of the accelerated depreciation amount in the year it is claimed for federal purposes with a corresponding 20% deduction over the next five years. The taxpayer will be deducting the same amount of an asset's basis under State law as under federal law, it is just that the timing of the deduction differs.

⁸ Generally, taxpayers take the Section 179 expensing deduction first and claim bonus depreciation on any remaining basis.

⁹ Prior to the Emergency Economic Stabilization Act of 2008 (EESA), deduction limit was \$125,000 with a phase-out beginning at \$500,000.

of 2010 (2010 Jobs Act) were the most expansive ever enacted and those limits were extended under ATRA and TIPA.

Federal Background. – Since 2010, the deduction limitation has been \$500,000 and the investment limitation has been \$2 million. Without the recent extensions, the limits would have reverted to the prior levels of \$25,000 and \$200,000.

North Carolina Background. – Prior to 2010, North Carolina typically conformed to the enhanced section 179 expense deduction provisions. However, given the expansive nature of the enhancements made by the 2010 Jobs Act, which have been extended over the last several years, North Carolina has decoupled and adopted lower limits since 2010.¹⁰

Income Exclusion for Distributions from IRAs to Charity

This bill does not conform to the extension of the income exclusion for a qualified charitable distribution from an individual retirement plan by a person who has attained the age of 70½ for tax year 2014. The treatment is capped at a maximum of \$100,000 per taxpayer. However, a taxpayer who itemizes and who elected to take the income exclusion would be able to deduct the amount that would have been allowed as a charitable deduction under the Code had the taxpayer not elected to take the income exclusion.

Explained. – Generally, a taxpayer must include in gross income distributions made from a traditional or Roth IRA account except to the extent they represent a return of nondeductible contributions or are rolled over into another qualified retirement plan.

Federal Background. – Since 2006,¹¹ taxpayers age 70½ or older may contribute up to \$100,000 from their IRA account to a charity tax-free. This income exclusion was set to expire for distributions made in tax years beginning after December 31, 2013. TIPA extends the availability of this exclusion for one year.

North Carolina Background. – North Carolina conformed to this provision for 2006 through 2012, but decoupled for 2013.

Deduction for Mortgage Insurance Premiums as Interest

Section 1.3 of the act does not conform to the extension of the deduction for mortgage insurance premiums as interest for tax year 2014. Therefore, taxpayers may not include any amount for mortgage insurance premiums in their deduction for qualified residence interest. The cost to conform to this provision would be approximately \$4 million.

Explained. – Generally, taxpayers may not deduct any interest paid or accrued during the tax year that is considered personal interest. This restriction does not apply to certain types of interest, including qualified residence interest. Qualified residence interest includes interest on home acquisition indebtedness of up to \$1 million and interest on home equity indebtedness of up to \$100,000. In the case of a home acquisition loan, an individual who cannot pay the entire down payment amount may be required to purchase mortgage insurance.

Federal Background. – Since 2006, premiums paid for qualified mortgage insurance in connection with acquisition indebtedness for a qualified residence are treated as qualified residence interest and

¹⁰ North Carolina's dollar and investment limitations were \$250,000 and \$800,000, respectively, for taxable years 2010 through 2012. The dollar and investment limitations for 2013 were \$25,000 and \$200,000, respectively.

¹¹ This exclusion was originally authorized by the Pension Protection Act of 2006. The law was extended through 2009 by the Emergency Economic Stabilization Act of 2008, and through 2011, by the 2010 Tax Relief Act.

are deductible.¹² The treatment of qualified mortgage insurance as qualified residence interest was set to expire for amounts paid or accrued after December 31, 2013. TIPA extends the availability of the deduction for one year.

North Carolina Background. – North Carolina conformed to this provision from 2006 through 2012, but decoupled for the first time for tax year 2013.

Higher Education Deduction

Section 1.3 of the act does not conform to the extension of the federal qualified tuition and expenses deduction for tax year 2014. The cost to conform to this provision would be approximately \$1 million.

Explained. – Subject to income limitations, a taxpayer may take an above-the-line deduction for qualified education expenses paid during the year for the taxpayer or the taxpayer's spouse or dependents. Generally, any accredited public, nonprofit, or proprietary post-secondary institution is an eligible educational institution. The maximum deduction is \$4,000 for an individual whose adjusted gross income for the tax year does not exceed \$65,000 (\$130,000 for MFJ filers), or \$2,000 for other individuals whose adjusted gross income does not exceed \$80,000 (\$160,000 for MFJ filers).

Federal Background. – This deduction was established under EGTRRA and was scheduled to expire in 2006. It was subsequently extended through 2013. TIPA extended the deduction for one more year.

North Carolina Background. – North Carolina had conformed to this provision until last year when it decoupled for the 2013 taxable year.

PART II: MOTOR FUEL TAX CHANGES

The second part of the bill would reduce the motor fuels tax rate from 37.5 cents to 36 cents beginning April 1, 2015, through January 1, 2016, it would replace the two 6-month base periods used in determining the gas tax rate with a single 12-month base period beginning January 1, 2016, and it would make corresponding \$3.35 million and \$10.05 million reductions in the Highway Trust Fund and Highway Fund budgets for the 2014-2015 fiscal year.

CURRENT LAW:

Rate. – A motor fuel¹³ excise tax is imposed on all motor fuels sold, distributed, or used in the State. The rate of tax consists of a flat rate of 17.5¢ per gallon plus a variable wholesale component equal to the greater of 7% of the average wholesale price of motor fuel during a base six-month base period or 3.5¢ per gallon.

The current motor fuel tax rate is 37.5¢ per gallon. Section 8 of S.L. 2013-316 capped the tax at this rate for the period October 1, 2013, through June 30, 2015. The current rates in surrounding states are: South Carolina -16¢ per gallon; Virginia - 19.88¢ per gallon, and Tennessee - 20¢ per gallon.

Base Period. – The two base periods are six-month periods. For the base period ending on September 30, the tax rate applies to the six-month period that begins the following January 1. For the base period ending on March 31, the tax rate applies to the six-month period that begins the following July 1.

¹² The deduction is subject to a phaseout. For every \$1,000, or fraction thereof, by which the taxpayer's AGI exceeds \$100,000, the amount of mortgage insurance premiums treated as interest is reduced by 10%.

¹³ Motor fuel is defined as gasoline, diesel fuel, and blended fuel (G.S. 105-449.60(31)).

Senate Bill 20

Page 6

Distribution of Revenue. – The revenue generated by the motor fuel tax is distributed as follows¹⁴: One-half cent of the excise tax on each gallon of gas is distributed to funds for underground tank storage cleanup water and air quality. The remaining excise tax revenue is allocated as follows:

- 75% to the Highway Fund and used for maintenance, transit, rail, State Highway Patrol, DMV, some secondary road improvement, Powell Bill distribution to local governments, and some other administrative needs. G.S. 105-449.126 credits 1/6 of 1% of this amount annually to the Wildlife Resources Fund to be used for the boating and water safety activities described in G.S. 75A-3(c).
- 25% to the Highway Trust Fund and used for construction of the intrastate system, some secondary road improvement, and Powell Bill distribution to local governments.

BILL ANALYSIS:

Section 2.1 of the bill would reduce the motor fuels tax by 1.5¢ per gallon beginning April 1, 2015. This rate would remain in place until January 1, 2016. Under current law, the gas tax rate will be reset on July 1, 2015, and is projected to drop approximately 6 to 8 cents.

Section 2.2 of the bill would change the period upon which the motor fuels tax rate is determined. Under current law, the rate is set twice a year. A rate goes into effect on January 1 based on the prior six-month period from April to September, and also on July 1 based on the prior six-month period from October to March. Under the bill, the rate would be determined once a year, using a 12-month base period that runs from October 1 to September 30, with a new rate going into effect on the following January 1.

Section 2.3 is a conforming change regarding the shift from two six-month base periods to one 12-month base period.

Section 2.4 of the bill reflects reductions in the Highway Trust Fund and Highway Fund budgets for FY 14-15 to balance the reduction in revenues derived from the tax. The reductions would include the following:

- **Reductions to the Highway Trust Fund:**
 - A general cut of \$3.35 million to the strategic funding plan.
- **Reductions to the Highway Fund:**
 - A 1 2/5% across-the-board cut from within the Highway Fund, but excluding maintenance funds, transfers, and certain other accounts, which amounts to \$5.9 million.
 - A 1/2% cut to three maintenance funds from within the Highway Fund amounting to \$2.38 million: primary maintenance, secondary maintenance, and to pavement preservation funds.
 - A reduction of \$1,045,200 in Powell Bill funds.
 - A reduction of \$16,750 credited to the Wildlife Resources Fund.
 - A reduction of \$16,750 credited to the Shallow Draft Navigation Channel and Lake Dredging Fund.
 - The elimination of at least 40 vacant positions within the Department of Transportation.¹⁵

¹⁴ G.S. 105-449.125.

¹⁵ The version passed by the Senate would have also required a reduction-in-force of 500 filled, full-time positions within the Department of Transportation by March 1, 2015. The PCS presented to the House Finance Committee moved the date of this RIF to September 1, 2015, and required that the average salary and benefits of the positions eliminated be no less than \$50,000. This provision was deleted by an amendment adopted in committee on March 3, 2015.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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SENATE BILL 20
Finance Committee Substitute Adopted 2/10/15
Third Edition Engrossed 2/12/15
House Committee Substitute Favorable 3/3/15

Short Title: IRC Update/Motor Fuel Tax Changes.

(Public)

Sponsors:

Referred to:

February 4, 2015

A BILL TO BE ENTITLED
AN ACT TO UPDATE THE REFERENCE TO THE INTERNAL REVENUE CODE, TO
DECOUPLE FROM CERTAIN PROVISIONS OF THE FEDERAL TAX INCREASE
PREVENTION ACT OF 2014, TO MODIFY THE MOTOR FUELS TAX RATE, AND
TO MAKE CERTAIN REDUCTIONS WITHIN THE DEPARTMENT OF
TRANSPORTATION FOR THE 2014-2015 FISCAL YEAR.
The General Assembly of North Carolina enacts:

PART I. IRC UPDATE

SECTION 1.1. G.S. 105-228.90(b)(1b) reads as rewritten:

"(1b) Code. – The Internal Revenue Code as enacted as of ~~December 31, 2013,~~
January 1, 2015, including any provisions enacted as of that date that
become effective either before or after that date."

SECTION 1.2.(a) G.S. 105-130.5B(c) reads as rewritten:

**"§ 105-130.5B. Adjustments when State decouples from federal accelerated depreciation
and expensing.**

...

(c) Section 179 Expense. – For purposes of this subdivision, the definition of section
179 property has the same meaning as under section 179 of the Code as of ~~January 2, 2013.~~
January 1, 2015. A taxpayer who places section 179 property in service during a taxable year
listed in the table below must add to the taxpayer's federal taxable income eighty-five percent
(85%) of the amount by which the taxpayer's expense deduction under section 179 of the Code
exceeds the dollar and investment limitation listed in the table below for the taxable year.

A taxpayer is allowed to deduct twenty percent (20%) of the add-back in each of the first
five taxable years following the year the taxpayer is required to include the add-back in income.

Taxable Year of 85% Add-Back	Dollar Limitation	Investment Limitation
2010	\$250,000	\$800,000
2011	\$250,000	\$800,000
2012	\$250,000	\$800,000
2013	\$25,000	\$200,000
<u>2014</u>	<u>\$25,000</u>	<u>\$200,000"</u>

SECTION 1.2.(b) G.S. 105-153.6(c) reads as rewritten:



* S 2 0 - V - 4 *

"§ 105-153.6. Adjustments when State decouples from federal accelerated depreciation and expensing.

...

(c) Section 179 Expense. – For purposes of this subdivision, the definition of section 179 property has the same meaning as under section 179 of the Code as of ~~January 2, 2013~~, January 1, 2015. A taxpayer who places section 179 property in service during a taxable year listed in the table below must add to the taxpayer's federal taxable income or adjusted gross income, as appropriate, eighty-five percent (85%) of the amount by which the taxpayer's expense deduction under section 179 of the Code exceeds the dollar and investment limitation listed in the table below for that taxable year. For taxable years before 2012, the taxpayer must add the amount to the taxpayer's federal taxable income. For taxable year 2012 and after, the taxpayer must add the amount to the taxpayer's adjusted gross income.

A taxpayer is allowed to deduct twenty percent (20%) of the add-back in each of the first five taxable years following the year the taxpayer is required to include the add-back in income.

Taxable Year of 85% Add-Back	Dollar Limitation	Investment Limitation
2010	\$250,000	\$800,000
2011	\$250,000	\$800,000
2012	\$250,000	\$800,000
2013	\$25,000	\$200,000
<u>2014</u>	<u>\$25,000</u>	<u>\$200,000"</u>

SECTION 1.3. G.S. 105-153.5 reads as rewritten:

"§ 105-153.5. Modifications to adjusted gross income.

(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may deduct from adjusted gross income either the standard deduction amount provided in subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2) of this subsection that the taxpayer claimed under the Code. The deduction amounts are as follows:

- (1) Standard deduction amount. – The standard deduction amount is zero for a person who is not eligible for a standard deduction under section 63 of the Code. For all other taxpayers, the standard deduction amount is equal to the amount listed in the table below based on the taxpayer's filing status:

Filing Status	Standard Deduction
Married, filing jointly	\$15,000
Head of Household	12,000
Single	7,500
Married, filing separately	7,500.

- (2) Itemized deduction amount. – An amount equal to the sum of the items listed in this subdivision. The amounts allowed under this subdivision are not subject to the overall limitation on itemized deductions under section 68 of the Code:

- a. The amount allowed as a deduction for charitable contributions under section 170 of the Code for that taxable year. For taxable year 2014, a taxpayer who elected to take the income exclusion under section 408(d)(8) of the Code for a qualified charitable distribution from an individual retirement plan by a person who has attained the age of 70 1/2 may deduct the amount that would have been allowed as a charitable deduction under section 170 of the Code had the taxpayer not elected to take the income exclusion.
- b. The amount allowed as a deduction for interest paid or accrued during the taxable year under section 163(h) of the Code with respect

1 to any qualified residence plus the amount claimed by the taxpayer as
2 a deduction for property taxes paid or accrued on real estate under
3 section 164 of the Code for that taxable year. For taxable year 2014,
4 the amount allowed as a deduction for interest paid or accrued during
5 the taxable year under section 163(h) of the Code with respect to any
6 qualified residence shall not include the amount for mortgage
7 insurance premiums treated as qualified residence interest. The
8 amount allowed under this sub-subdivision may not exceed twenty
9 thousand dollars (\$20,000). For spouses filing as married filing
10 separately or married filing jointly, the total mortgage interest and
11 real estate taxes claimed by both spouses combined may not exceed
12 twenty thousand dollars (\$20,000). For spouses filing as married
13 filing separately with a joint obligation for mortgage interest and real
14 estate taxes, the deduction for these items is allowable to the spouse
15 who actually paid them. If the amount of the mortgage interest and
16 real estate taxes paid by both spouses exceeds twenty thousand
17 dollars (\$20,000), these deductions must be prorated based on the
18 percentage paid by each spouse. For joint obligations paid from joint
19 accounts, the proration is based on the income reported by each
20 spouse for that taxable year.

21 ...
22 (d) Decoupling Adjustments. – In calculating North Carolina taxable income, a
23 taxpayer must add to the taxpayer's adjusted gross income any of the following items that are
24 not included in the taxpayer's adjusted gross income:

25 (1) For taxable year 2014, the amount of the taxpayer's deduction for qualified
26 tuition and related expenses under section 222 of the Code. The purpose of
27 this subdivision is to decouple from the extension of the federal
28 above-the-line deduction under section 107 of the Tax Increase Prevention
29 Act of 2014.

30 (2) For taxable year 2014, the amount excluded from the taxpayer's gross
31 income for a qualified charitable distribution from an individual retirement
32 plan by a person who has attained age 70 1/2 under section 408(d)(8) of the
33 Code. The purpose of this subdivision is to decouple from the extension of
34 the income exclusion under section 108 of the Tax Increase Prevention Act
35 of 2014.

36 ~~(d)(e)~~ S Corporations. – Each shareholder's pro rata share of an S Corporation's income is
37 subject to the adjustments provided in this section and in G.S. 105-153.6."

38 **SECTION 1.4.** This Part is effective when this act becomes law. Notwithstanding
39 Section 1 of this act, any amendments to the Internal Revenue Code enacted after December
40 31, 2013, that increase North Carolina taxable income for the 2014 taxable year are effective
41 for taxable years beginning on or after January 1, 2015.

42 43 **PART II. MOTOR FUEL TAX CHANGES**

44 **SECTION 2.1.** Effective April 1, 2015, and notwithstanding G.S. 105-449.80, the
45 motor fuel excise tax rate is thirty-six cents (36¢) a gallon.

46 **SECTION 2.2.** G.S. 105-449.80(a) reads as rewritten:

47 "(a) Rate. – The motor fuel excise tax rate is a flat rate of seventeen and one-half cents
48 (17 1/2¢) a gallon plus a variable wholesale component. The variable wholesale component is
49 either three and one-half cents (3 1/2¢) a gallon or seven percent (7%) of the average wholesale
50 price of motor fuel for the applicable base period, whichever is greater.

~~The two base periods are six-month periods; one ends on September 30 and one ends on March 31. period is a twelve-month period ending September 30. The Secretary must set the tax rate twice for a year based on the wholesale price for each base period. A tax rate set by the Secretary using information for the base period that ends on September 30 applies to the six-month period calendar year that begins the following January 1. A tax rate set by the Secretary using information for the base period that ends on March 31 applies to the six-month period that begins the following July 1.~~"

SECTION 2.3. G.S. 105-449.107(c) reads as rewritten:

"(c) Sales Tax Amount. – Article 5 of Subchapter I of this Chapter determines the amount of State sales and use tax to be deducted under this section from a motor fuel excise tax refund. Articles 39, 40, and 42 of Subchapter VIII of this Chapter and the Mecklenburg First 1% Sales Tax Act determine the amount of local sales and use tax to be deducted under this section from a motor fuel excise tax refund. The sales price and the cost price of motor fuel to be used in determining the amount to deduct is the average of the wholesale prices used under G.S. 105-449.80 to determine the excise tax ~~rates~~ rate in effect for the ~~two six-month periods of the calendar year~~ for which the refund is claimed."

SECTION 2.4.(a) Section 4.1 of S.L. 2014-100 reads as rewritten:

"**SECTION 4.1.** Appropriations from the State Highway Trust Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are adjusted for the fiscal year ending June 30, 2015, according to the following schedule. Amounts set out in parentheses are reductions from Highway Trust Fund Appropriations for the 2014-2015 fiscal year.

Current Operations – Highway Trust Fund

2014-2015

Program Administration	(\$11,000,000)
Aid to Municipalities	0
Intrastate	0
Secondary Roads	0
Urban Loops	0
Mobility Fund	0
Turnpike Authority	0
Transfer to General Fund	0
Transfer to Highway Fund	0
Debt Service	0
Strategic Prioritization Funding Plan for Transportation Investments	67,993,140 64,643,140

Total Highway Trust Fund Appropriations

\$ 1,162,393,140 1,159,043,140"

SECTION 2.4.(b) Section 4.2 of S.L. 2014-100 reads as rewritten:

"**SECTION 4.2.** Section 4.2 of S.L. 2013-360 is repealed. The Highway Trust Fund availability used in developing the 2014-2015 fiscal year budget is shown below:

Highway Trust Fund Availability Statement

2014-2015

Unreserved Fund Balance	\$ 0
Estimated Revenue	1,162,370,000 1,159,020,000
Adjustment to Revenue Availability:	
Motor Fuel Tax Refund Repeal (Taxi Cabs)	23,140

Total Highway Trust Fund Availability

\$ 1,162,393,140 1,159,043,140

Unappropriated Balance \$ 0"

SECTION 2.4.(c) Section 3.1 of S.L. 2014-100 reads as rewritten:

"**SECTION 3.1.** Appropriations from the State Highway Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are adjusted for the fiscal year ending June 30, 2015, according to the following schedule. Amounts set out in parentheses are reductions from Highway Fund Appropriations for the 2014-2015 fiscal year.

Current Operations – Highway Fund 2014-2015

Department of Transportation
Administration \$ 1,949,344

Division of Highways
Administration 0
Construction 0
Maintenance 53,407,586
Planning and Research 0
OSHA Program (7,307)

Ferry Operations (1,542,317)

State Aid to Municipalities 9,453,990

Intermodal Divisions
Public Transportation 0
Aviation (800,000)
Rail (960,325)
Bicycle and Pedestrian (30,043)

Governor's Highway Safety (5,699)

Division of Motor Vehicles (988,255)

Other State Agencies, Reserves, Transfers 7,354,812

Capital Improvements 0

Reductions Made Pursuant to Senate Bill 20:

"IRC Update/Motor Fuel Tax Changes," 2015 Regular Session (10,050,000)

Total Highway Fund Appropriations \$1,984,142,286 \$1,974,092,286"

SECTION 2.4.(d) Section 3.2 of S.L. 2014-100 reads as rewritten:

"**SECTION 3.2.** Section 3.2 of S.L. 2013-360 is repealed. The Highway Fund availability used in adjusting the 2014-2015 fiscal year budget is shown below:

Highway Fund Availability Statement 2014-2015

Unreserved Fund Balance \$ 12,000,000

Estimated Revenue 1,973,750,000

Adjustment to Revenue Availability:

1	Motor Fuel Tax (Shallow Draft Navigation Channel Dredging Fund)	(1,677,134)
2	Motor Fuel Tax Refund Repeal (Taxi Cabs)	69,420
3	<u>Reductions Made Pursuant to Senate Bill 20:</u>	
4	<u>"IRC Update/Motor Fuel Tax Changes." 2015 Regular Session</u>	<u>(10,050,000)</u>
5	Revised Total Highway Fund Availability	<u>\$1,984,142,286</u> <u>\$1,974,092,286</u>

6

7 **Unappropriated Balance** \$ 0"

8 **SECTION 2.4.(e)** For the 2014-2015 fiscal year, appropriations to each certified
 9 fund code within the Highway Fund are hereby reduced by one and two-fifths percent (1 2/5%),
 10 which shall amount to a total reduction of five million nine hundred eight thousand one
 11 hundred twenty-one dollars (\$5,908,121). In making the reductions required by this subsection,
 12 the following fund codes shall not be reduced:

- 13 (1) 84210-0852
- 14 (2) 84210-0862
- 15 (3) 84210-0864
- 16 (4) 84210-0865
- 17 (5) 84210-0867
- 18 (6) 84210-0868
- 19 (7) 84210-0871
- 20 (8) 84210-0873
- 21 (9) 84210-0877
- 22 (10) 84210-0878
- 23 (11) 84210-0881
- 24 (12) 84210-0882
- 25 (13) 84210-0885
- 26 (14) 84210-0889
- 27 (15) 84210-0892
- 28 (16) 84210-0893
- 29 (17) 84210-0933
- 30 (18) 84210-0934
- 31 (19) 84210-0935
- 32 (20) 84210-0937
- 33 (21) 84210-1165
- 34 (22) 84210-1260
- 35 (23) 84210-7040
- 36 (24) 84210-7615
- 37 (25) 84210-7818
- 38 (26) 84210-7821
- 39 (27) 84210-7822
- 40 (28) 84210-7824
- 41 (29) 84210-7825
- 42 (30) 84210-7826
- 43 (31) 84210-7827
- 44 (32) 84210-7828
- 45 (33) 84210-7834
- 46 (34) 84210-7836
- 47 (35) 84210-7839
- 48 (36) 84210-7841

49 **SECTION 2.4.(f)** For the 2014-2015 fiscal year, appropriations to each of the
 50 following certified fund codes within the Highway Fund are hereby reduced by one-half

1 percent (1/2%), which shall amount to a total reduction of two million three hundred
2 seventy-nine thousand nine hundred ninety-four dollars (\$2,379,994):

- 3 (1) 84210-7821
- 4 (2) 84210-7822
- 5 (3) 84210-7841

6 **SECTION 2.4.(g)** For the 2014-2015 fiscal year, and notwithstanding any
7 provision of law to the contrary, the Director of the Budget and the Secretary of Revenue shall
8 make the following reductions:

- 9 (1) One million forty-five thousand two hundred dollars (\$1,045,200) to the
10 total amount of funds appropriated pursuant to G.S. 136-41.1.
- 11 (2) Sixteen thousand seven hundred fifty dollars (\$16,750) to the total amount of
12 funds credited to the Wildlife Resources Fund pursuant to G.S. 105-449.126.
- 13 (3) Sixteen thousand seven hundred fifty dollars (\$16,750) to the total amount of
14 funds credited to the Shallow Draft Navigation Channel and Lake Dredging
15 Fund pursuant to G.S. 105-449.126.

16 **SECTION 2.4.(h)** The Secretary of the Department of Transportation shall
17 eliminate a minimum of 40 vacant positions within the Department of Transportation to
18 achieve a total reduction of six hundred eighty-three thousand one hundred eighty-five dollars
19 (\$683,185). The Secretary of the Department of Transportation may use lapsed salaries to meet
20 the reduction required under this subsection.

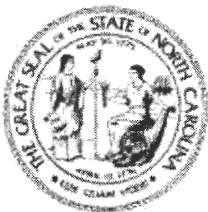
21 **SECTION 2.4.(i)** Notwithstanding any provision of law to the contrary, the total
22 amount of funds generated by the reductions in this act shall be used to support the
23 maintenance and operation of the Department of Transportation and for other purposes as
24 enumerated for the Department of Transportation in S.L. 2014-100. To the extent any of the
25 funds generated by the reductions in this act are deemed unappropriated, these funds are hereby
26 appropriated. The Director of the Budget shall modify the certified budget to reflect the
27 reductions to appropriations made in this act.

28 **SECTION 2.5.** Sections 2.2 and 2.3 of this act become effective January 1, 2016.
29 Except as otherwise provided, this act is effective when it becomes law. Section 2.1 of this act
30 expires January 1, 2016.

31 32 **PART III. EFFECTIVE DATE**

33 **SECTION 3.** Except as otherwise provided, this act is effective when it becomes
34 law.





HOUSE BILL 117: NC Competes Act

2015-2016 General Assembly

Committee:	House Finance, if favorable, Appropriations	Date:	March 3, 2015
Introduced by:	Reps. S. Martin, Jeter, Collins, Steinburg	Prepared by:	Dan Ettefagh
Analysis of:	Second Edition		Committee Counsel

SUMMARY: *The draft would do the following: (i) increase the amount Commerce could commit in JDIG awards, (ii) modify and extend the JDIG program, (iii) rename the JDIG, One NC, One NC Small Business, and Site Infrastructure Development programs, (iv) modify qualification for single sales factor apportionment of income by qualified capital intensive corporations, (v) recapture funds previously allocated for the Job Catalyst Fund (included in H1224 that was not enacted last year) and reallocate those funds for the Site Infrastructure Development Fund, (vi) extend the sales tax refund for sales tax paid on fuel by an interstate passenger air carrier in excess of \$2.5M; and (vii) enact a sales tax exemption for datacenters investing at least \$75M within a 5-year period for sales of datacenter equipment and electricity located and used at the datacenter.*

PART I. JDIG MODIFICATIONS:

CURRENT LAW: JDIG is a discretionary program of the State that provides funds to incentivize new or expanding business to create jobs in the State. The amount of the JDIG incentive to a company is equal to between 10% to 75% of the personal income tax withholdings generated by the eligible created positions.¹ If the business is in a tier 2 or 3 area, the incentive paid to the business is automatically reduced by 15% or 25%, respectively, and that portion is diverted into the Utility Account. The JDIG agreement can be for a term of up to 12 years. The amount that can be committed in JDIG grants has generally been capped at \$15M per calendar year; however, the current cap is based on the 2013-15 biennium and is \$22.5M, and the cap for 7/1/15 through 12/31/15 is \$7.5M. Presuming a use of \$1M of the allowed cap for a period and a term of 12 years, a \$1M commitment would be paid each year of the 12-year term if the company met all required metrics, for a total commitment of \$12M. The authority to enter new JDIG agreements is currently set to expire 1/1/16.

BILL ANALYSIS: The bill modifies JDIG in the following ways:

1. It increases the maximum JDIG commitment for the current period in two ways: (i) it changes the current period from being a 2013-2015 biennium to being a period lasting from 7/1/13 through 12/31/15, effectively making the \$7.5M available for 7/1/15 to 12/31/15 immediately available for commitment and (ii) it adds \$15M of additional capacity that may be committed in JDIG awards in the period ending 12/31/15. Collectively, these changes increase the cap for the current period from \$22.5M to \$45M, with the latter change potentially increasing the State's JDIG commitment by \$180M (\$15M per year over 12 years for the current period).²

¹ The amount of the incentive paid to a company is automatically decreased by 25% or 15% for tier 3 and tier 2 projects, respectively, with that percentage going to the Utility Account for infrastructure projects that are reasonably expected to create jobs in economically distressed counties (i.e. tier 1 and 2 counties).

² The advancement of the \$7.5M from the last half of the CY does not increase potential JDIG commitment, but it does permit the liability to occur sooner.



House Bill 117

Page 2

2. It extends the authority to make new JDIG commitments until 1/1/20. This change potentially increases the State's JDIG commitment by \$720M (\$15M per year over 12 years multiplied by each year of the 4-year extension).
3. It renames the program from the Job Development Investment Grant (JDIG) to the Job Growth Reimbursement Opportunities - People Program (Job GRO People).
4. It adds to findings that the Committee is required to make prior to entering into a JDIG agreement a finding that affected local governments have participated in recruitment and offered appropriate incentives.
5. It eliminates priority for JDIG projects due to being located in an Eco-Industrial Park.³
6. It increases the minimum number of jobs a business must create in a tier 3 area in order to participate in JDIG from 20 jobs to 50 jobs.
7. Regarding the health care coverage requirement, it eliminates an obsolete reference to minimum health care coverage recommendations by the Small Employer Carrier Committee for purposes of meeting the health insurance requirement for JDIG participants.
8. It increases the diversion from JDIG to the Utility Account for tier 3 projects from 25% to 30%.
9. It modifies the recapture provision applicable to EIC recaptures of JDIG amounts to a participating business if the business fails to maintain operations at the project for at least 150% of the grant term. Under current law, the recapture is in the discretion of the EIC. The bill would require the EIC to recapture an appropriate portion of the grant.
10. It modifies the relevant time period against which increases in employment are measured. Under current law, the business must maintain employment levels at the level of the year immediately preceding the base period. The bill would change the relevant comparison point for employment levels from immediately preceding the base period to the greater of the employment levels at the date of application or date of award.

PART II. ONE NC MODIFICATIONS:

CURRENT LAW: The One NC fund is a discretionary fund by the State to provide money to locals to secure commitments for recruitment, expansion, or retention of new or existing businesses. Locals must use the money for equipment purchase or installation, modification of existing businesses for expansion, or infrastructure improvement for existing buildings or new/proposed buildings (if the latter is used for manufacturing/industrial operations). The maximum One NC commitment is limited to \$28M per fiscal biennium. Inside One NC is the One North Carolina Small Business Program that provides matching funds for SBIR/STTR federal funds.

BILL ANALYSIS: The bill would rename the program from the One North Carolina Fund (One NC) to the Job Growth Reimbursement Opportunities – Capital Program (Job GRO Capital) and would rename the One North Carolina Small Business Program to the Job Growth Reimbursement Opportunities – Capital Small Business Program.

PART III: SITE INFRASTRUCTURE DEVELOPMENT FUNDING:

CURRENT LAW: The Site Infrastructure Development Fund provides grants or forgivable loans to State agencies, nonprofit corporations, locals, or businesses for acquisition and/or improvement of land

³ An eco-industrial park is a park certified by the Secretary to have at least 100 developable acres, located in a county that does not require motor vehicle emissions inspections, only has buildings constructed in accordance with energy-efficiency and water-use standards contained in G.S. 143-135.37, only has businesses in a clean-industry sector according to the Toxic Release Inventory by the US EPA.

House Bill 117

Page 3

and to lease property to a business that (i) will invest at least \$100,000,000 in private funds in a project and (ii) will employ at least 100 new employees at the project.⁴ In addition, last year's budget appropriated \$20M to the Job Catalyst Fund, contingent on the passage of HB1224. Because H1224 was not enacted, that amount is not being utilized.

BILL ANALYSIS: The draft would transfer the \$20M earmarked for JCF to SIDF to reactivate it for site development functions consistent with that Fund. The bill would also rename the program the Site Acceleration Fund. Finally, regarding the health care coverage requirement, it eliminates an obsolete reference to minimum health care coverage recommendations by the Small Employer Carrier Committee for purposes of meeting the health insurance requirement for JDIG participants.

PART IV: SINGLE SALES FACTOR MODIFICATION:

CURRENT LAW: A corporation that does business in more than one state must pay income tax and franchise tax to each of the states in which it has nexus for the income that is fairly sourced to the taxing state. The conventional method used by states to source income has been the apportionment formula, which is used to derive an apportionment percentage. Generally speaking, a taxpayer multiplies its taxable income by its apportionment percentage to determine the amount of its income sourced to a state. The state's corporate income tax rate is applied to the corporation's income apportionable to that state.

Most states use an apportionment formula based on a composite of three factors: a property factor (the ratio of the taxpayer's real and tangible personal property in the taxing state to its real and tangible personal property everywhere), a payroll factor, and a sales factor (the payroll factor and the sales factor represent a ratio of the taxpayer's payroll and sales in the taxing state to its payroll and sales everywhere). North Carolina uses a double-weighted sales factor apportionment formula, so the payroll and property factors are each weighted 25% and the sales factor is weighted at 50%; the sum of the four factors is divided by four.

For qualified capital intensive corporations, North Carolina uses a single sales factor formula for apportionment, so the total allocation of a corporation's profits to North Carolina is solely based on where the sales are sourced. A 'qualified capital intensive corporation' (QCIC) is one that meets all of the requirements following:

- The corporation's property factor must meet one of the following conditions:
 - The property factor as a percentage of the sum of the factors in North Carolina's double weighted sales factor apportionment formula must exceed 75%.
 - The average property factor for the preceding three years as a percentage of the average sum of the double weighted sales factor apportionment formula must exceed 75%.
- The Secretary of Commerce makes a written determination that the corporation has invested or is expected to invest at least \$1 billion in private funds to construct a facility in this State within nine years of the time that construction begins.

⁴ The fund was created and used in conjunction with other incentives to attract Merck and has since been depleted and inactive.

House Bill 117

Page 4

- With respect to the facility that meets the \$1 billion investment threshold, it must:
 - Be located in a county designated as a tier one or tier two area at the time construction began.
 - Maintain the average number of employees it has at the facility during the first two years after the facility is placed in service for the remainder of time in which the corporation must complete the required \$1 billion investment.
 - Meet the weekly wage standard set out in Article 3J.
 - Provide health insurance for all full-time jobs at the facility.

The tax benefit of the single sales factor apportionment formula expires prospectively if the corporation fails to make the required investment in capital facilities within nine years. It does not require the recapture of any benefits already received.

BILL ANALYSIS: The draft does the following:

- It eliminates the requirements regarding the corporation's property factor and the requirement that the facility be located in a tier 1 or 2 area.
- It converts the expiration of the tax benefit into a recapture provision should the QCIC fail to make the required investment or otherwise fail to meet eligibility requirements.
- It sets forth the wage standard explicitly instead of the same wage standard being incorporated by reference.
- Regarding the health care coverage requirement, it eliminates an obsolete reference to minimum health care coverage recommendations by the Small Employer Carrier Committee.
- It eliminates the sunset of the SSF benefit for QCIC's, which was set to expire in 2019, if no corporation qualifies as a QCIC by that time.
- It eliminates the prohibition against coupling the tax benefit of SSF with incentive funds from JDIG and/or One NC for QCICs.

PART V. EXTEND SALES TAX REFUND FOR PASSENGER AIR CARRIERS:

CURRENT LAW: Businesses whose primary business is scheduled passenger air transportation in interstate commerce (passenger air carriers) are allowed a sales tax refund of sales tax paid on fuel in excess of \$2.5M. The refund tax benefit is repealed for purchases made on or after 1/1/2016.

BILL ANALYSIS: The draft would extend the tax benefit for 4 years to 1/1/20.

PART VI. DATACENTER INFRASTRUCTURE ACT:

CURRENT LAW: Under current law, datacenters receive tax benefits for certain purchases if certain conditions are met. They are as follows:

- G.S. 105-187.51C imposes a privilege tax, in lieu of a sales tax, on certain equipment and machinery purchased by an eligible data center. The rate of tax is 1% of the sales price of the equipment and machinery, capped at \$80 per article. To qualify, a taxpayer must invest \$150M in a tier one area datacenter or \$225 million in a tier 2 or 3 area datacenter over a five-year period. The benefit applies to a second datacenter in which \$75M is invested as well.

House Bill 117

Page 5

- G.S. 105-164.13(55) exempts an eligible Internet data center from sales tax on electricity and on certain business property located and used at the data center, if \$250M is invested over a 5-year period.⁵
- The General Assembly created a sales tax refund for information technology companies in a tier one area for machinery and equipment purchased and placed in service in the tier one area.

BILL ANALYSIS: The draft would create an additional sales tax exemption for datacenter equipment and electricity, similar but broader in scope of equipment covered, if \$75M is invested over a 5-year period.

⁵ To be an eligible Internet data center under G.S. 105-164.13 or an eligible data center under G.S. 105-187.51C, a facility must meet certain use, location, wage, and employee insurance benefits.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

2

HOUSE BILL 117
Committee Substitute Favorable 3/3/15

Short Title: NC Competes Act.

(Public)

Sponsors:

Referred to:

February 27, 2015

A BILL TO BE ENTITLED
AN ACT TO ENACT THE NORTH CAROLINA COMPETES ACT.
The General Assembly of North Carolina enacts:

PART I. JDIG MODIFICATIONS

SECTION 1.(a) Section 15.19(a1) of S.L. 2013-360 reads as rewritten:

"**SECTION 15.19.(a1)** Notwithstanding G.S. 143B-437.52(c), for the ~~2013-2015 fiscal biennium~~, period from July 1, 2013, to December 31, 2015, the maximum total liability for grants awarded, including amounts transferred to the Utility Account pursuant to G.S. 143B-437.61, is ~~twenty-two million five hundred thousand dollars (\$22,500,000) and, for the period from July 1, 2015, to December 31, 2015, the maximum total liability for grants awarded, including amounts transferred to the Utility Account pursuant to G.S. 143B-437.61, is seven million five hundred thousand dollars (\$7,500,000).~~ forty-five million dollars (\$45,000,000). No agreement may be entered into that, when considered together with other existing agreements governing grants awarded during an applicable time period provided in this subsection, could cause the State's potential total annual liability for grants awarded in that time period to exceed the designated maximum amount."

SECTION 1.(b) The title of Part 2G of Article 10 of Chapter 143B of the General Statutes reads as rewritten:

"~~Part 2G. Job Development Investment Grant Program.~~ Job Growth Reimbursement Opportunities – People Program."

SECTION 1.(c) G.S. 143B-437.52(a) is amended by adding a new subdivision to read:

"(6) For a project located in a development tier three area, the affected local governments have participated in recruitment and offered incentives in a manner appropriate to the project."

SECTION 1.(d) G.S. 143B-437.52(b) is repealed.

SECTION 1.(e) G.S. 143B-437.53 reads as rewritten:

"§ 143B-437.53. **Eligible projects.**

(a) **Minimum Number of Eligible Positions.** – A business may apply to the Committee for a grant for any project that creates the minimum number of eligible positions as set out in the table below. If the project will be located in more than one development tier area, the location with the highest development tier area designation determines the minimum number of eligible positions that must be created.

Development Tier Area	Number of Eligible Positions
Tier One	10



1 Tier Two 20
 2 Tier Three 2050
 3 ...

4 (c) Health Insurance. – A business is eligible for a grant under this Part only if the
 5 business provides health insurance for all of the applicable full-time employees of the project
 6 with respect to which the grant is made. For the purposes of this subsection, an applicable
 7 full-time employee is one who earns from the business less than one hundred fifty thousand
 8 dollars (\$150,000) in taxable compensation on an annualized basis or three and one-half times
 9 the annualized average State wage for all insured private employers in the State employing
 10 between 250 and 1,000 employees, whichever is greater. For the purposes of this subsection, a
 11 business provides health insurance if it pays at least fifty percent (50%) of the premiums for
 12 health care coverage that equals or exceeds the minimum provisions of the basic health care
 13 plan of coverage recommended by the Small Employer Carrier Committee pursuant to
 14 G.S. 58-50-125.coverage.

15 Each year that a business receives a grant under this Part, the business must provide
 16 with the submission required under G.S. 143B-437.58 a certification that the business continues
 17 to provide health insurance, as required by this subsection, for all applicable full-time
 18 employees of the project with respect to which the grant is made. If the business ceases to
 19 provide the required health insurance, the Committee shall amend or terminate the agreement
 20 as provided in G.S. 143B-437.59."

21 **SECTION 1.(f)** G.S. 143B-437.56(d) reads as rewritten:

22 "(d) For any eligible position that is located in a development tier three area,
 23 ~~seventy five percent (75%)~~ seventy percent (70%) of the annual grant approved for
 24 disbursement shall be payable to the business, and ~~twenty five percent (25%)~~ thirty percent
 25 (30%) shall be payable to the Utility Account pursuant to G.S. 143B-437.61. For any eligible
 26 position that is located in a development tier two area, eighty-five percent (85%) of the annual
 27 grant approved for disbursement shall be payable to the business, and fifteen percent (15%)
 28 shall be payable to the Utility Account pursuant to G.S. 143B-437.61. A position is located in
 29 the development tier area that has been assigned to the county in which the project is located at
 30 the time the application is filed with the Committee."

31 **SECTION 1.(g)** G.S. 143B-437.57(a) reads as rewritten:

32 "(a) Terms. – Each community economic development agreement shall include at least
 33 the following:

34 ...

35 (10) A provision that requires the business to maintain operations at the project
 36 location or another location approved by the Committee for at least one
 37 hundred fifty percent (150%) of the term of the grant and a provision to
 38 ~~permit require~~ the Committee to recapture all or part an appropriate portion
 39 of the grant at its discretion if the business does not remain at the site for the
 40 required term.

41 (11) A provision that requires the business to maintain employment levels in this
 42 State at the greater of the level of the year immediately preceding the base
 43 period employment on the date of the application or the level of employment
 44 on the date of the award.

45"

46 **SECTION 1.(h)** G.S. 143B-437.62 reads as rewritten:

47 "**§ 143B-437.62. Expiration.**

48 The authority of the Committee to award new grants expires January 1, ~~2016~~ 2020."

49 **SECTION 1.(i)** The Revisor of Statutes shall make the conforming statutory
 50 changes necessary to the General Statutes to reflect renaming of the Job Development

Investment Grant Program to the Job Growth Reimbursement Opportunities – People Program, as provided in this section.

SECTION 1.(j) This Part is effective when it becomes law.

PART II. ONE NC MODIFICATIONS

SECTION 2.(a) The title of Part 2H of Article 10 of Chapter 143B of the General Statutes reads as rewritten:

"Part 2H. ~~One North Carolina Fund~~ Job Growth Reimbursement Opportunities – Capital Program."

SECTION 2.(b) The title of Part 2I of Article 10 of Chapter 143B of the General Statutes reads as rewritten:

"Part 2I. ~~One North Carolina~~ Job Growth Reimbursement Opportunities – Capital Small Business Program."

SECTION 2.(c) The Revisor of Statutes shall make the conforming statutory changes necessary to the General Statutes to reflect renaming of the One North Carolina Fund to the Job Growth Reimbursement Opportunities – Capital Program and the renaming of the One North Carolina Small Business Program to the Job Growth Reimbursement Opportunities – Capital Small Business Program, as provided in this section.

SECTION 2.(d) This Part is effective when it becomes law.

PART III. SITE INFRASTRUCTURE DEVELOPMENT FUND

SECTION 3.(a) Of the funds appropriated to the Department of Commerce for the 2014-2015 fiscal year, twenty million dollars (\$20,000,000) shall be transferred to the Site Infrastructure Development Fund for uses consistent with G.S. 143B-437.02. The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Commerce, shall transfer the unencumbered cash balance of the Job Catalyst Fund (Budget Code 14600-1912) to the Site Infrastructure Development Fund (Budget Code 24600-2583).

SECTION 3.(b) The tagline of G.S. 143B-437.02 reads as rewritten:

"§ 143B-437.02. ~~Site infrastructure development~~ Acceleration Fund."

SECTION 3.(c) G.S. 143B-437.02(e) reads as rewritten:

"(e) Health Insurance. – A business is eligible for consideration for site development under this section only if the business provides health insurance for all of the full-time employees of the project with respect to which the application is made. For the purposes of this subsection, a business provides health insurance if it pays at least fifty percent (50%) of the premiums for health care coverage that equals or exceeds the minimum provisions of the basic health care plan of coverage recommended by the Small Employer Carrier Committee pursuant to G.S. 58-50-125 coverage.

Each year that a contract for site development under this section is in effect, the business must provide the Department of Commerce a certification that the business continues to provide health insurance for all full-time employees of the project governed by the contract. If the business ceases to provide health insurance to all full-time employees of the project, Department shall provide for reimbursement of an appropriate portion of the site development funds provided to the business."

SECTION 3.(d) The Revisor of Statutes shall make the conforming statutory changes necessary to the General Statutes to reflect renaming of the Site Infrastructure Development Fund to the Site Acceleration Fund, as provided in this section.

SECTION 3.(e) This Part is effective when it becomes law.

PART IV. SINGLE SALES FACTOR MODIFICATION

SECTION 4.(a) G.S. 105-130.4(s1) reads as rewritten:

"(s1) All apportionable income of a qualified capital intensive corporation shall be apportioned by multiplying the income by the sales factor as determined under subsection (l) of this section. A "qualified capital intensive corporation" is a corporation that satisfies all of the conditions of this subsection. A corporation that is subject to this subsection must list on its return the property, payroll, and sales factors ~~it used in determining whether it is aof the~~ qualified capital intensive corporation. ~~If the corporation fails to invest one billion dollars (\$1,000,000,000) in private funds within nine years as required by subdivision (2) of this subsection, the benefit of this subsection expires and the corporation must apportion income as it would otherwise be required to do under this section absent this subsection. If a corporation fails to satisfy the conditions of this subsection, the corporation forfeits the benefit of this subsection and must apportion income as it would otherwise be required to do absent this subsection. A corporation that forfeits the benefit of this subsection is liable for all past taxes avoided as a result of the benefit plus interest at the rate established under G.S. 105-241.21, computed from the date additional taxes would have been due if the benefit had not been allowed. The past taxes and interest are due 30 days after the date the benefit is forfeited; a corporation that fails to pay the past taxes and interest by the due date is subject to the penalties provided in G.S. 105-236. Notwithstanding G.S. 105-241.8(b)(3), if a corporation forfeits the benefit of this subsection, the period for proposing an assessment of any tax due as a result of the forfeiture is three years after the date of the discovery of the forfeiture.~~

The conditions are:

- (1) ~~The corporation's property factor as a percentage of the sum of the factors in the formula set out in subsection (i) of this section, including the doubling of the sales factor, exceeds seventy five percent (75%) or the corporation's average property factor for the preceeding three years as a percentage of the average sum of the factors in the formula set out in subsection (i) of this section, including the doubling of the sales factors, for the preceeding three years exceeds seventy five percent (75%).~~
- (2) The Secretary of Commerce makes a written determination that the corporation has invested or is expected to invest at least one billion dollars (\$1,000,000,000) in private funds to construct a facility in this State within nine years after the time that construction begins. For the purposes of this subsection, costs of construction include costs of acquiring and improving land for the facility, costs for renovations or repairs to existing buildings, and costs of equipping or reequipping the facility.
- (3) The corporation maintains the average number of employees it has at the facility during the first two years after the facility is placed in service for the remainder of time in which the corporation must complete the investment required under subdivision (2) of this subsection.
- (4) ~~The facility that satisfies the condition of subdivision (2) of this subsection is located in a county that was designated as a development tier one or two area at the time construction of the facility began.~~
- (5) The corporation satisfies a wage standard at the facility that satisfies the condition of subdivision (2) of this subsection. For the purposes of this subdivision, the wage standard ~~that must beis satisfied is the one established under G.S. 105-129.83(e).~~ if the corporation pays an average weekly wage that is at least equal to the lesser of one hundred ten percent (110%) of the average wage for all insured private employers in the State and ninety percent (90%) of the average wage for all insured private employers in the county.
- (6) The corporation provides health insurance for all of its full-time employees at the facility that satisfies the condition of subdivision (2) of this subsection.

For the purposes of this subdivision, a company provides health insurance if it ~~satisfies the provisions of G.S. 105-129.83(d), pays at least fifty percent (50%) of the premiums for health care coverage.~~"

SECTION 4.(b) Section 4 of S.L. 2009-54 is repealed.

SECTION 4.(c) Section 6 of S.L. 2009-54 reads as rewritten:

"**SECTION 6.** This act is effective for taxable years beginning on or after January 1, 2010. ~~If no corporation has qualified as a qualified capital intensive corporation under G.S. 105-130.4(s1) prior to January 1, 2019, then G.S. 105-130.4(s1) is repealed for taxable years beginning on or after January 1, 2019.~~"

SECTION 4.(d) Subsection (c) of this section is effective when it becomes law. The remainder of this Part is effective when it becomes law and applies to corporations receiving a written determination from the Secretary of Commerce on or after that date.

PART V. EXTEND SALES TAX REFUND FOR PASSENGER AIR CARRIERS

SECTION 5.(a) G.S. 105-164.14A(a)(1) reads as rewritten:

"(a) Refund. – The following taxpayers are allowed an annual refund of sales and use taxes paid under this Article:

- (1) Passenger air carrier. – An interstate passenger air carrier is allowed a refund of the sales and use tax paid by it on fuel in excess of two million five hundred thousand dollars (\$2,500,000). The amount of sales and use tax paid does not include a refund allowed to the interstate passenger air carrier under G.S. 105-164.14(a). This subdivision is repealed for purchases made on or after January 1, ~~2016, 2020.~~"

SECTION 5.(b) This Part is effective when it becomes law.

PART VI. DATACENTER INFRASTRUCTURE ACT

SECTION 6.(a) G.S. 105-164.3 reads as rewritten:

"§ 105-164.3. Definitions.

The following definitions apply in this Article:

- ...
- (33) Qualifying datacenter. – A datacenter that satisfies each of the following conditions:

- a. The datacenter meets the wage standard and health insurance requirements of G.S. 143B-437.08A.
- b. The Secretary of Commerce has made a written determination that at least seventy-five million dollars (\$75,000,000) in private funds has been or will be invested by one or more owners, users, or tenants of the datacenter within five years of the date the owner, user, or tenant of the datacenter makes its first real or tangible property investment in the datacenter on or after January 1, 2012. Investments in real or tangible property in the datacenter made prior to January 1, 2012, may not be included in the investment required by this subdivision.

- (33a) Purchase price. – The term has the same meaning as the term "sales price" when applied to an item subject to use tax.

- (~~33a~~)(33b) Real property contractor. – A person that contracts to perform construction, reconstruction, installation, repair, or any other service with respect to real property and to furnish tangible personal property to be installed or applied to real property in connection with the contract and the labor to install or apply the tangible personal property that becomes part of real property. The term includes a general contractor, a subcontractor, or a builder for purposes of G.S. 105-164.4H.

(33b)(33c) Related member. – Defined in G.S. 105-130.7A.

(33e)(33d) Remote sale. – A sale of tangible personal property or digital property ordered by mail, by telephone, via the Internet, or by another similar method, to a purchaser who is in this State at the time the order is remitted, from a retailer who receives the order in another state and delivers the property or causes it to be delivered to a person in this State. It is presumed that a resident of this State who remits an order was in this State at the time the order was remitted.

...."

SECTION 6.(b) G.S. 105-164.13 is amended by adding a new subdivision to read:

"(55a) Sales of electricity for use at a qualifying datacenter and datacenter support equipment to be located and used at the qualifying datacenter. As used in this subdivision, "datacenter support equipment" is property that is capitalized for tax purposes under the Code and is used either:

- a. For the provision of a service or function included in the business of an owner, user, or tenant of the datacenter.
- b. For the generation, transformation, transmission, distribution, or management of electricity, including exterior substations, generators, transformers, unit substations, uninterruptible power supply systems, batteries, power distribution units, remote power panels, and other capital equipment used for these purposes.
- c. For HVAC and mechanical systems, including chillers, cooling towers, air handlers, pumps, and other capital equipment used for these purposes.
- d. For hardware and software for distributed and mainframe computers and servers, data storage devices, network connectivity equipment, and peripheral components and equipment.
- e. To provide related computer engineering or computer science research.

If the level of investment required by G.S. 105-164.3(33) is not timely made, the exemption provided under this subdivision is forfeited. If the level of investment required by G.S. 105-164.3(33) is timely made but any specific datacenter support equipment is not located and used at the qualifying datacenter, the exemption provided for such datacenter support equipment under this subdivision is forfeited. If the level of investment required by G.S. 105-164.3(33) is timely made but any portion of electricity is not used at the qualifying datacenter, the exemption provided for such electricity under this subdivision is forfeited. A taxpayer that forfeits an exemption under this subdivision is liable for all past taxes avoided as a result of the forfeited exemption, computed from the date the taxes would have been due if the exemption had not been allowed, plus interest at the rate established under G.S. 105-241.21. If the forfeiture is triggered due to the lack of a timely investment required by G.S. 105-164.3(33), interest is computed from the date the taxes would have been due if the exemption had not been allowed. For all other forfeitures, interest is computed from the time as of which the datacenter support equipment or electricity was put to a disqualifying use. The past taxes and interest are due 30 days after the date the exemption is forfeited. A taxpayer that fails to pay the past taxes and interest by the due date is subject to the provisions of G.S. 105-236."

SECTION 6.(c) This Part becomes effective July 1, 2015, and applies to sales made on or after that date.

PART VII. EFFECTIVE DATE

SECTION 7. Except as otherwise provided, this act is effective when it becomes law.

Job GRO program/JDIG summary:

History: Prior to 1996, NC made little use of incentive to lure businesses to the State and, instead, relied on its educational systems, trained workforce, low business costs, and transportation system. In 1996, in response to incentives increasingly offered by other southern states, the General Assembly enacted an array of statutory tax credits to incent companies to create or expand job opportunities and to invest in real and business property in the State. Over the next decade, the State expanded its use of statutory tax incentives and coupled those tax expenditure-based incentives with discretionary nontax incentive funds as well.

The initial incentive programs enacted in 1996 was originally viewed as an experiment, to be evaluated in five years to determine whether the incentives were cost effective and actually affects behavior or merely provided tax reductions to businesses that would have located or expanded in any case. The Joint Select Committee on Economic Development Incentives, created in March 2007, contracted with the University of North Carolina's Center for Competitive Economies to assist it in evaluating the performance of NC's economic development incentive programs. During this same time period, the General Assembly established study committees to evaluate the State's tax code. These studies found the following:

- Statutory tax credit spending vastly exceeds discretionary incentive spending.
- Statutory tax credits do not necessarily correlate with the State's stated strategic economic development goals. Most of the incented companies locate in metropolitan areas, and most of the statutory tax credits are for investments not jobs.
- Discretionary incentive programs provide better opportunity for strategic economic development targeting.
- Discretionary incentives are likely more effective than tax credits at inducing companies to create jobs and investment.
- Unlike statutory tax credits, a set of defined metrics are utilized prior to approval and disbursements of discretionary incentive payments.
- The State's corporate tax rate, at 6.9%, was one of the highest in the southeast. Reducing the corporate tax rate was recommended as a viable alternative to statutory tax credits.

In 2013, the General Assembly reduced the corporate tax rate from 6.9% to 6% for 2014, and from 6% to 5% for 2015. The 2013 legislation also allowed many of the statutory tax credits to sunset as scheduled in 2014 and repealed several others that did not have a sunset, effective for the 2014 taxable year.¹ There are a few remaining statutory tax credits that are scheduled to sunset in 2015² and in 2016.³

Overview: JDIG was established in 2002 as an incentive for businesses to create new jobs in the State. The amount of the incentive is equal to the State withholdings of the created eligible multiplied by a percentage

¹ The following tax credits expired for the 2014 taxable year: Article 3J, NC ports charges, renewable fuel facilities, biodiesel producers, work opportunity, renewable energy property facility, and interactive digital media. The following tax credits were repealed for the 2014 taxable year: construction of dwelling units for handicapped, certain real property donations, conservation tillage equipment, gleaned crop, and construction of poultry composting facility.

² Tax credits for film production, historic rehabilitation, mill rehabilitation, low-income housing, and qualified business ventures.

³ Tax credits for renewable energy and research and development.

between 10 and 75%.⁴ JDIG agreements are not allowed unless the Economic Investment Committee⁵ finds all of the following:

1. The business will have a net increase in in-State employment.
2. The project will increase opportunities for employment and strengthen the State's economy.
3. The project is consistent with local and State economic development goals.
4. That but for the JDIG incentive, the project would not locate in the State.
5. That the benefits of the project outweigh the costs.⁶

In order to be eligible for the program, the project must create at least 10 jobs if in tier 1 or at least 20 jobs if in tiers 2 or 3.⁷ If in a tier 2 or 3 area, the incentive to the business is automatically reduced by 15% or 25%, respectively, with that percentage being diverted to the Utility Account.⁸ Jobs transferred from other divisions or shifted from related entities are not counted for purposes of the program incentive calculation, and certain business types, such as retail projects and sports teams, are ineligible for program participation. The State's max annual collective program obligation is \$15M per calendar year.⁹ Each participant must meet health insurance¹⁰ and OSHA compliance requirements.¹¹ An agreement with a business cannot have a term of more than 12 years.

Process: First, personnel from the Economic Development Partnership of North Carolina work with potential program candidates. Using a pricing model, a preliminary award calculation is made based on project location, job count, average salary, investment, and industry type. The company submits a draft application for review by Commerce staff, which then works with the company to complete an accurate final application to submit to the Department along with a fee. The application, which is considered by the Economic Investment Committee, must contain the name and financials (prepared by a CPA) of the business, where the project will be located, what the project activity will be, names and addresses of the business principals or management, the nature and form of the business, proposed new jobs with estimated withholdings, a certification that the business will

⁴ Factors in determining the percentage include number and expected duration of eligible positions to be created, type of contribution business makes to State's economy, other financial incentives offered, business' total dollar investment in the project, whether the project uses existing infrastructure and community resources, whether the project is located in a development zone and will use residents of that zone to fill eligible positions, and mitigation of State and local unemployment.

⁵ The EIC is composed of the Secretaries of Commerce and Revenue, the Director of OSBM, and one appointee each by the House and the Senate.

⁶ For this determination, Commerce uses two models: MPLAN and Walden. The MPLAN model measures inputs (such as investment, jobs created, and wages) and accounts for multipliers (such as type of industry and ability to bring in indirect benefits like supply chain manufacturers). Walden compares costs and benefits to ensure there is a net State benefit (or positive General Fund impact) by the end of the incentive agreement.

⁷ Every year, the Secretary of Commerce ranks all 100 counties in the State according to relative economic health. The 40 most economically distressed counties are tier 1, the next 40 most economically distressed counties are tier 2, and the remaining 20 counties are tier 3. The Secretary uses 4 factors to rank: average rate of unemployment, median household income, percentage growth in population, and adjusted assessed property value per capita.

⁸ The Utility Account provides funds to use for utility infrastructure improvement projects in tier 1 and 2 areas if reasonably anticipated to create jobs.

⁹ This has been changed by nonstatutory one-year modifications and by modifying the applicable time period.

¹⁰ Pay at least half of the premiums of health care coverage.

¹¹ No citations under OSHA for past 3 years for willful serious violations or failing to abate serious violations for the location that is the subject of the grant.

comply with the health insurance requirements, and any other information deemed necessary by the EIC. The application must also disclose other considered locations for the project and incentives offered for all considered locations. The EIC evaluates the applications and chooses program participants, pending negotiation and execution of a community economic development agreement, which sets out the requirements relating to and the amount of the incentive. Major agreement requirements include a description of the project, the term of the grant, criteria used to determine grant, number of eligible positions, the amount of the grant, various clawbacks and protections (listed below), and the amount of any UA shunt.¹²

Protections:

1. If a participating business fails to meet performance metrics, the amount or term of the grant must be proportionately reduced.
2. If a recipient does not maintain operations for at least 150% of the agreement term, the EIC may recapture all or part of the incentives that have been paid.
3. If a business fails to meet the terms of an agreement for a year, the term or the amount of the incentive must be reduced proportionately to the failure.
4. If a business fails to meet the terms of an agreement for 2 consecutive years, then one of two things occurs. If it occurs during the period of time during which new employees are to be hired, also known as the base period, the grants are withheld in subsequent years until the business comes into compliance. In that case, the EIC may extend the base term up to 2 years. If noncompliance occurs outside of the base period, the agreement is terminated.
5. No amount is disbursed until the Secretary of Revenue certifies to the EIC the amount of withholdings received in that year from the business.
6. No amount is disbursed if there are any outstanding overdue tax debts of the business.
7. Participants must submit annual payroll reports to the EIC with a reporting fee (greater of \$2500 or .03% of the amount of the grant minus the amount shunted to the Utility Account).
8. The EIC may audit the business at any time. The EIC, in turn, reports annually on the program to the General Assembly and conducts an annual study for purposes of determining the minimum funding level required to implement JDIG.
9. Annual reporting by recipient of annual payroll report showing withholdings and identifying eligible positions that have been created and that remain filled and, upon request, State and federal tax returns and any additional information the EIC deems necessary.
10. Annual report by EIC showing a list of all grants awarded, updates on projects under grants awarded before the preceding year, number and development tier area of eligible positions, employment level and wage levels of all recipients and eligible positions, amount of new income tax revenue from withholdings, criteria used to determine percentages of awards, number of awards made to new versus expanding businesses, any environmental impacts, geographic distribution of grants, listing of all applicants (including whether they ultimately located in the State), and the total UA transfer amount for the year.

¹² Other requirements include the method to determine number of new employees, the method for business to report annually on the number of eligible positions and aggregate withholdings, audit permissions, various protections listed herein, any allowed contract variations, anti-fraud provisions, encouragement of fair employment practices and hiring of NC residents/use of NC ports/acquiring goods and services from NC small businesses, and arbitration provisions.

Job GRO Capital (One NC Fund):

The One North Carolina Fund or Job GRO Capital was created in 1993 and codified in 2004. Moneys from the fund are allocated to local governments, who must match the funds¹³ and use them to recruit, retain, or induce expansion of new and existing businesses. Permissible uses include installing and purchasing equipment; structural repairs, improvements, or renovations to existing buildings; and construction of utility infrastructure for existing or proposed buildings. Commitments from the fund are capped at no more than \$28M per fiscal biennium, and each award involves 2 agreements: one between the State and the local government, which is the local government grant agreement, and one between the local government and the business, which is the company performance agreement.

With respect to a company performance agreement, the agreement must require job creation or maintenance with agreement-specific salary and location requirements and must contain a fund disbursement schedule proportionate to completed performance, records inspection requirements, methods for determining compliance, notice of intent to request disbursement of funds, and recapture provisions. The local government grant agreement must contain the local match requirements, recapture and reimbursement provisions, access to records, and the fund disbursement schedule. One NC funds may only be disbursed after the local government demonstrates the business has complied with the applicable performance terms. The Department of Commerce is charged with developing guidelines for the program and for conducting an annual study to determine the minimum funding level required to implement the program.

Site Accelerator/Infrastructure Development Fund

SIDF functions to provide grants or forgivable loans to State agencies, nonprofit corporations, locals, or businesses for acquisition and/or improvement of land and to lease property to a business that (i) will invest at least \$100,000,000 in private funds in a project and (ii) will employ at least 100 new employees at the project. The Department develops criteria for identification and evaluation of eligible projects. Businesses apply to the Economic Investment Committee, which evaluates and makes recommendations as to project approval. If approved, the Department and the business enter an agreement, which must include performance criteria, remedies (including appropriate levels of employment and investment), and clawbacks proportional to any failure by the business to meet performance criteria. For historical context, SIDF was targeted and used to recruit Merck Pharmaceuticals. Since fulfillment of that the agreement with Merck, SIDF has been inactive and is depleted as a fund.

¹³ A local match can be a cash or in-kind (fee waivers, in-kind services, asset donation, infrastructure provision) match.

VISITOR REGISTRATION SHEET

House Committee On Appropriations

3-3-15

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Dave Hume	Smith Hume
Whitney Christensen	Ward & Smith, P.A.
Erin Jones	TWC
Johanna Reese	NCACC
Ken Melton	K. M. A.
Sarah Bales	Bulaker & Assoc.
Hayden Bruggess	FSP
Jonathan Brubaker	Brubaker & Assoc.
Chris McClure	BP
Carson Davis	MVA
Susan Fleetwood	NC DEC



VISITOR REGISTRATION SHEET

House Committee On Appropriations

3-3-15

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Amanda Honaker	Troutman Sanders
JOEL MAYNARD	GRM? ASSOC
G. PUYTON MAYNARD	↓
Kelli Kukua	Duke Energy
Jake Gashin	NCCC
J GOODMAN	
Sarah Hardin	CR
STEVE BICKER	CR
Trey Rabon	AT+T
Chuck Greene	AT+T
Susan Valauri	Nationwide

VISITOR REGISTRATION SHEET

House Committee On Appropriations

3-3-15

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

B Green	
Michelle Frazier	MF+S
JERRY COHEN	Nelson Mullins
TJ Buybee	NP
Donny Hargis	NCPCm
Jerry Harris	NC Petroleum Mkts & C-stores
Tony Adams	Adams and Assoc.
Jerry Schill	NCFA
Bruce Mildner	NC SBA
Deborah Holbrook	NC SBA
Tonya Horton	TSS



VISITOR REGISTRATION SHEET

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Chip Kellier	Nelson Mullins
Jim Teague	NMRS
Tom West	NCICU
Zane Stillwell	NC SBE
William Dotman	MWC
Shanell Smaw	NCAE
Isabel Villa-Graa	NCAE
Bill McAulay	PSNC Energy
Jim Havel	HH
Alicia Miller	NCDOC



VISITOR REGISTRATION SHEET

House Committee On Appropriations

3-3-15

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Junior Gargani	NCMS
ANDY WASH	SA
Martha Jenkins	DCR
Carr McLamb	Troutman Sanders
Dirk Carlton	Law Office of R H Carlton PLLC
CHRIS DILLON	WAKE COUNTY
Patricia Gancy	APPCNC
Suzanne Brasley	SEATTLE
Emily Atkinson	ORCA
Becki Gray	J&J
Lori Ann Harris	4111



VISITOR REGISTRATION SHEET

House Committee On Appropriations

3-3-15

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Mia Bailey	ElectriCities
Johnny Tillett	MWC
Dane Fenton	City of Charlotte
Rose Williams	NCLM
Caleb Puttass	from city of Greensboro
Jason Joyner	New Frame
Jennifer Mahan	ASNC
Julia M. Adams-Scheunick	ISNK, KARE, MARC, ARONC
Kris Caudle	State Board
Rachel Beaulieu	State Board
Andy Chase	KMA

VISITOR REGISTRATION SHEET

House Committee On Appropriations

3-3-15

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Stewart Dickinson

NC - Dept of Commerce

Jeff DeBellis

NC Commerce



**NORTH CAROLINA HOUSE OF REPRESENTATIVES
JOINT COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Appropriations** will meet **JOINTLY** as follows:

DAY & DATE: Tuesday, March 10, 2015

TIME: 8:30AM-10:30AM

LOCATION: 643 LOB

COMMENTS: The House and Senate Appropriations Committees will meet jointly for the purpose of the 2015-2017 Governor's Recommended Budget presentation.

Respectfully,
Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 1:41 PM on Thursday, March 05, 2015.

____ Principal Clerk
____ Reading Clerk -- House Chamber

Candace Slate (Committee Assistant)



Candace Slate (Rep. Nelson Dollar)

From: Elise McDowell (Sen. Harry Brown)
Sent: Thursday, March 05, 2015 12:47 PM
To: Elise McDowell (Sen. Harry Brown)
Cc: @Senate/Legislative Assistants; @Senate/Members; Candace Slate (Rep. Nelson Dollar); Karen Hammonds-Blanks (Fiscal Research); Lisa Wilks (Bill Drafting); Phyllis Pickett (Bill Drafting); Richard Bostic (Fiscal Research)
Subject: <NCGA> Senate Appropriations/Base Budget Committee Meeting Notice for Tuesday, March 10, 2015 at 8:30 am - 10:30 am (Joint)
Attachments: Add Meeting to Calendar_LINC_ics

Principal Clerk _____
Reading Clerk _____

SENATE
NOTICE OF JOINT COMMITTEE MEETING
AND
BILL SPONSOR NOTICE

The Senate Committee on Appropriations/Base Budget will meet at the following time:

DAY	DATE	TIME	ROOM
Tuesday	March 10, 2015	8:30 am - 10:30 am	643 LOB

The Senate and House Appropriations Committees will meet jointly to hear a presentation on the 2015-2017 Governor's Recommended Budget.

Senator Harry Brown, Co-Chair
Senator Kathy Harrington, Co-Chair
Senator Brent Jackson, Co-Chair



**SENATE AND HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEES
Tuesday, March 10, 2015, 8:30 AM
643 Legislative Office Building**

AGENDA

- I. Opening Remarks**
- | | |
|-----------------------|--------------------|
| Sen. Harry Brown | Rep. Nelson Dollar |
| Sen. Kathy Harrington | Rep. Linda Johnson |
| Sen. Brent Jackson | Rep. Donny Lambeth |
| | Rep. Chuck McGrady |
- II. Presentation of the Governor's 2015-2017 Recommended Budget**
- Lee Harriss Roberts
State Budget Director
- III. Adjournment**



**Senate Committee on Appropriations/Base Budget
Tuesday, March 10, 2015 at 8:30 am - 10:30 am
Room 643 of the Legislative Office Building**

MINUTES

The Senate and House Committees on Appropriations/Base Budget met at 8:33 AM on March 10, 2015 in Room 643 of the Legislative Office Building. Eighteen Senate members were present and sixty-three House members were present. Senator Harry Brown presided. Senator Brown called the meeting to order and recognized the Sergeant-at-Arms' staff and Pages.

Presentation of the Governor's 2015-2017 Recommended Budget

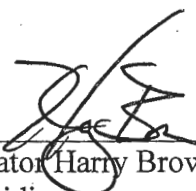
Lee Harriss Roberts
State Budget Director

Director Roberts provided members with an overview of each section of the Governor's Recommended Budget.

Questions

Lee Harriss Roberts
State Budget Director

The meeting adjourned at 10:01 AM.



Senator Harry Brown, Chair
Presiding



Elise McDowell, Committee Clerk

Attachments:

- 1 Agenda
- 2 Minutes
- 3 Office of State Budget and Management Presentation on the Governor's Budget
- 4 Visitor's Registration



Governor McCrory's Recommended 2015-2017 Budget

Governor Pat McCrory

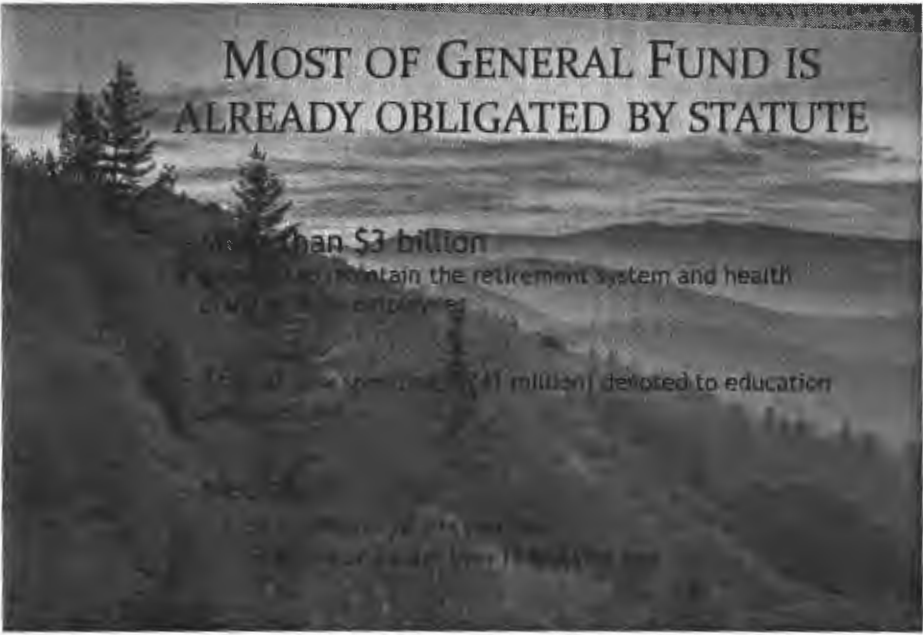


Lee H. Roberts
State Budget Director
Office of State Budget and Management
March 10, 2015

FISCAL DISCIPLINE

- NO NEW TAXES
- Triple A bond rating from all three major ratings agencies
- Budget grows more slowly than inflation and population
- Balanced budget, consistent with state constitution





MOST OF GENERAL FUND IS ALREADY OBLIGATED BY STATUTE

- More than \$3 billion
- Obligated to maintain the retirement system and health care for state employees
- Federal law requires \$41 million devoted to education

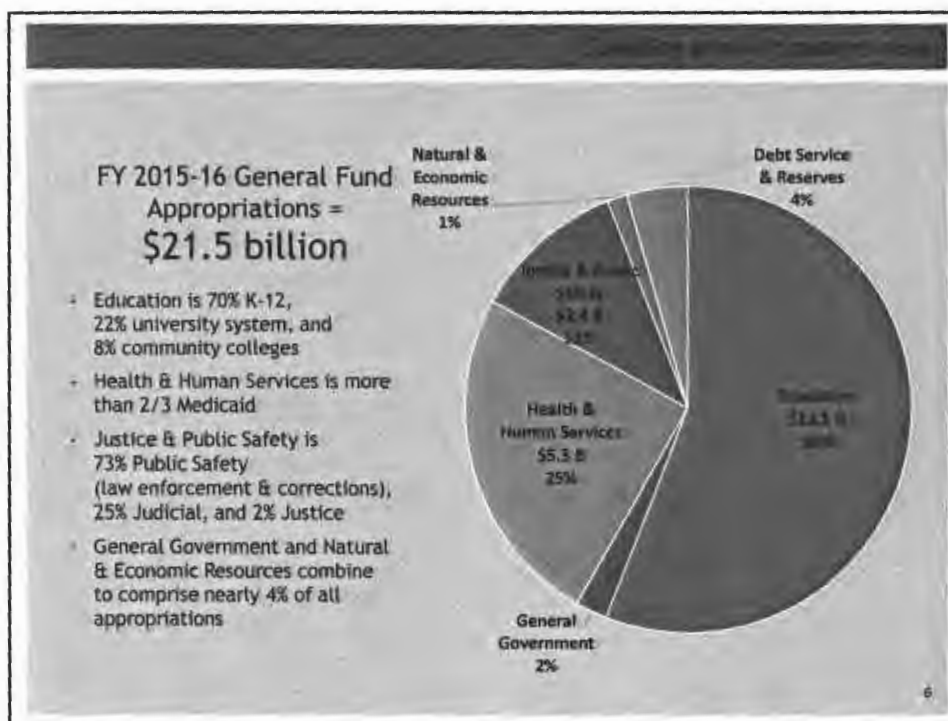
*3b
7/6/15
- Evaluating
H-12*




- Reduced spending
- Sought efficiencies
- Based on consensus revenue estimate
- If we have more revenue, we can revise

Will collect more than \$2.7 billion during the next two years


- Must be effective at training, recruitment
- Spending will be 10% of total






- Fulfill our pledge to raise the starting salary for public school teachers to **\$35,000**
- This budget proposes **MORE THAN HALF A BILLION DOLLARS** in new funding for K-12 education


- **Corrections officers**
 - 10,000 officers
 - Reflects relative danger of prisons
 - Last increased in the mid-1980s
- **State Highway Patrol troopers**
 - Five percent step increase for eligible troopers
- **Longevity pay**
 - Continues for nearly 40,000 state employees
- **\$82 million salary exception fund**
 - To attract and retain highly effective employees and employees in high-demand fields

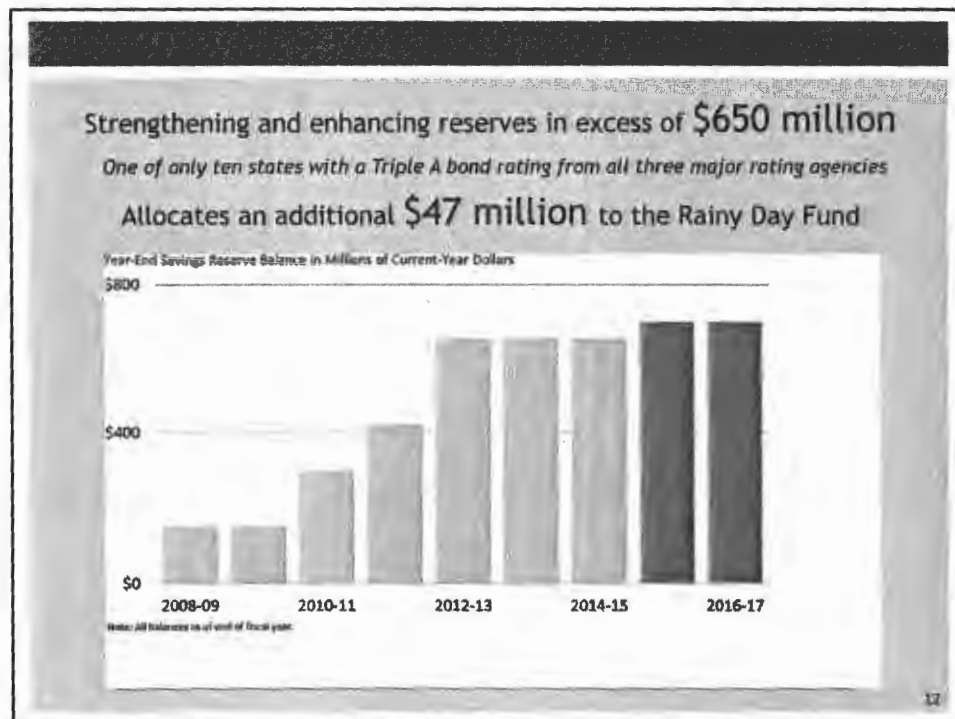
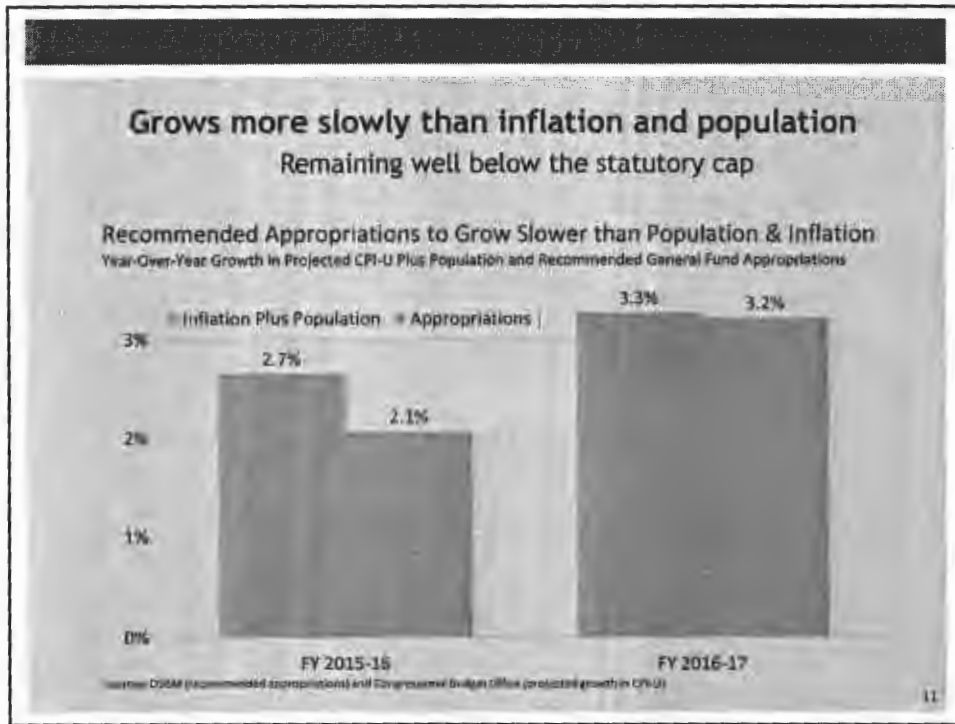




- Targeted, long-term investment
- Vital to competitiveness
- Pay for assets that will last for 50 years as they are used
- Historically low interest rates
- Will not jeopardize our credit ratings

- 1.8 million people or 18% of our state population supported by Medicaid
 - \$7.8 billion over two years
- Mental health
- Pre-K
- Other key social services

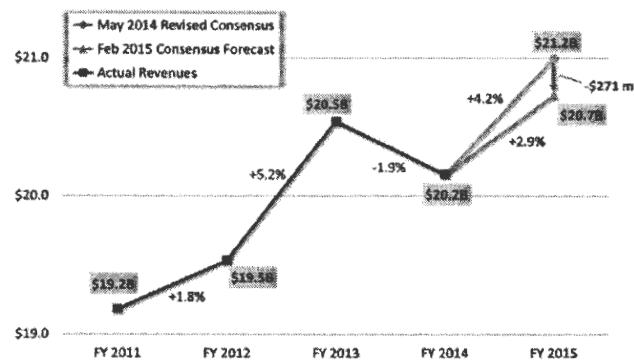




Forecast reflects modest growth of 2.9%

General Fund Revenue: Recent History & Forecast

Billions of Current-Year Dollars



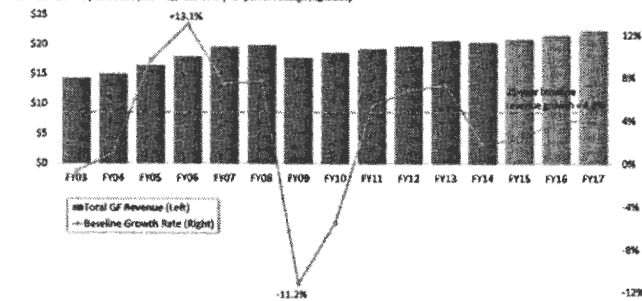
13

Forecast for FY 2015-17 Anticipates Moderate Growth

- Consensus General Fund Revenue Forecast with the Fiscal Research Division
- FY 2015-16 Base Growth: 3.9%
- FY 2016-17 Base Growth: 4.1%

Total General Fund Revenue: Fiscal Year 2003 to 2017

Billions of current-year dollars (left axis); Year-over-year percent change (right axis)



Note: Baseline revenue growth measures economy-based changes to actual revenues general revenues, controlling for cost base changes

14

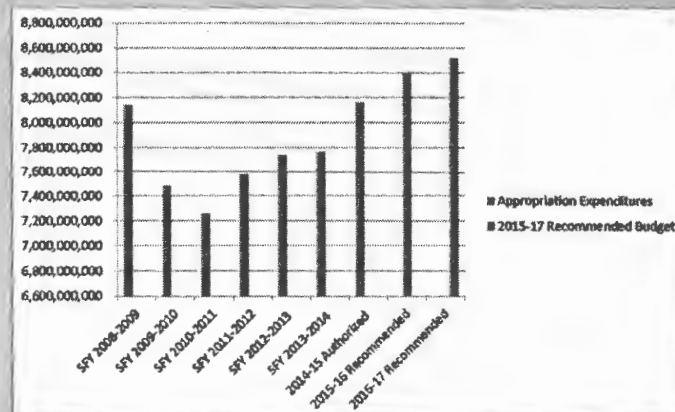
Marginal Cost* of Major Recommended Revenue Changes (\$ in millions)

Description	Year 1 (FY 2015-16)	Year 2 (FY 2016-17)	Year 3 (FY 2017-18)
Historic Preservation Tax Credit	\$1.7	\$10.5	\$17.7
Renewable Energy Credit for Non-Solar Projects	\$0.0	\$7.0	\$11.0
R&D Credit	\$0.0	\$58.0	\$60.0
Datacenter Machinery & Equipment Purchases	\$3.0	\$4.0	\$4.0
Interstate Air Carrier Fuel Purchases	\$0.0	\$7.5	\$15.0
Motorsports Parts	\$0.0	\$1.1	\$2.3
Motorsports Fuel	\$0.0	\$0.07	\$0.15

*NC Office of State Budget and Management projections

15

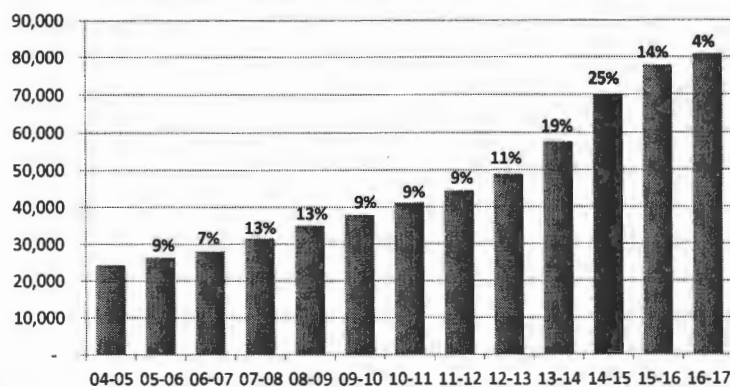
Continuing significant commitment to K-12 funding



16

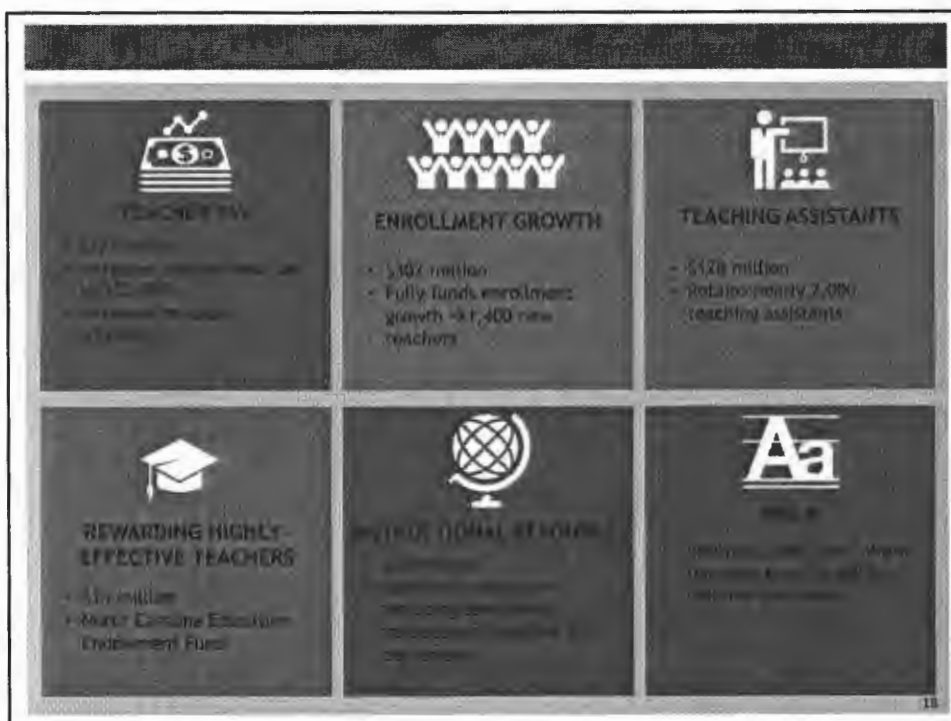
- Since FY 2004-05, Charter Schools have grown from just over 24,000 students to nearly 70,000 students, an increase of 187 percent
- Enrollment in charter schools is projected to reach nearly 81,000 students in the next biennium

Charter School Enrollment Trends & Percent Growth





Notes: FY 14-15 is based on first two months of enrollment; FY 15-16 and FY 16-17 are DPI projections.

17






18

Investing in Education

	<p>\$46 million</p> <ul style="list-style-type: none"> Stabilize regional education and maintain community presence 	<p>\$129.6 million</p> <ul style="list-style-type: none"> Fully fund regional development (ROW) 	<p>\$1.16 million</p> <ul style="list-style-type: none"> Lease 1.16 million sq ft Increase 1.16 million sq ft in total building footprint (existing offices)
	<p>\$11.2 million</p> <ul style="list-style-type: none"> Supports those who defend our freedom by offering financial support to qualifying non-profit organizations 	<p>\$1.16 million</p> <ul style="list-style-type: none"> Accelerates the North Carolina talent pipeline by funding major programs, resulting in the opening of 100 North Carolina positions 	<p>\$1.16 million</p> <ul style="list-style-type: none"> Control language to be entered into the system used by all 100 community colleges \$1.16 million for ITA upgrade

Investing in Education

<p>VENTURE MULTIFUND FUND</p> <p>\$30 million</p> <p>Invests in early stage commercial ventures, along with private sector dollars</p> 	<p>VENTURE MULTIFUND FUND AND VENTURE MULTIFUND FUND</p> <p>\$5 million</p> <p>Leverages existing entrepreneurial talent and recruits world-class investors and skilled entrepreneurs</p> 	<p>UNIVERSITY INNOVATION FUNDING PARTNERSHIP</p> <p>\$7.5 million</p> <p>Invests in selecting and developing university technologies to make them attractive to investors</p> 
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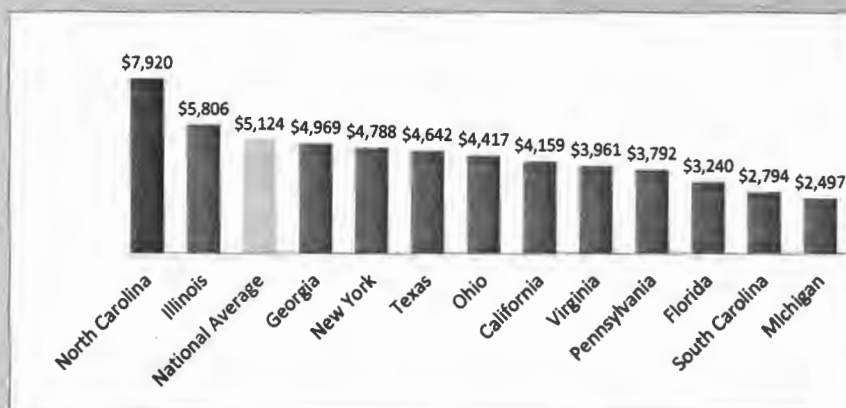
North Carolina spends a greater
percentage of tax revenues
on higher education
than any other state

State Appropriation for Higher Education: % of State Taxes		
	2011-12	National Rank
50 states	9.5	
North Carolina	17.5	1
Alabama	17.3	2
Georgia	16.5	3
New Mexico	16.0	4

(Source: SREB)

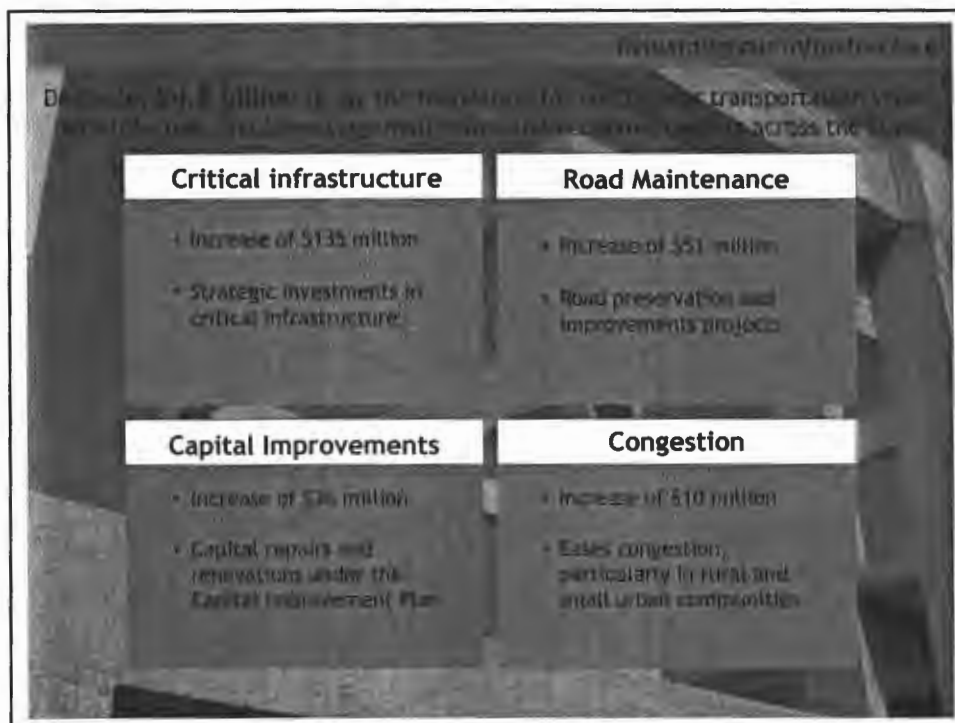
21

General Fund Expenditures per Student: 10 Most Populous States, VA and SC







Source: NASBO State Expenditure Report, Almanac of Higher Education 2014, Pope Center for Higher Education

22



Supporting those who keep us safe





Reinforces North Carolina's reputation as the most military-friendly state in the nation

<p>Supports Veterans' Health Initiatives</p>  <p>\$1.5 million</p> <ul style="list-style-type: none"> • Supports the development of additional Veterans' Health Initiatives 	<p>Deployment of Military Police Officers</p>  <p>\$1.5 million</p> <ul style="list-style-type: none"> • Supports the deployment of additional Military Police Officers 	<p>Veterans courts</p>  <p>\$1.5 million</p> <ul style="list-style-type: none"> • Supports the development of additional Veterans' Health Initiatives • Helping Veterans return to a productive life instead of being forced to live in a nursing home or assisted living facility 	<p>Support veterans and fight crimes against children</p>  <p>\$2 million</p> <ul style="list-style-type: none"> • Awarded to law enforcement agencies to hire staff to locate and remove children in danger • Priority will be given to veterans who have received special training from the Human Exploitation Rescue Operative (HERO) project
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25

Supporting those who keep us safe

Recognizes the dedication of our law enforcement and corrections officers

<p>STREET LIGHTS OFFICERS</p>  <p>\$1.5 million</p> <ul style="list-style-type: none"> • Supports the development of additional Street Lights Officers 	<p>HIGHWAY PATROL TRUCKS</p>  <p>\$1.5 million</p> <ul style="list-style-type: none"> • Supports the development of additional Highway Patrol Trucks 	<p>VEHICLES</p>  <p>\$1.5 million</p> <ul style="list-style-type: none"> • Replaces aging law enforcement vehicles • Improves safety • Reduces maintenance costs 	<p>CRIME LAB</p>  <p>\$2 million</p> <ul style="list-style-type: none"> • Improves crime lab operations • Reduces criminal case backlog
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26

Supporting Justice Through Investment

 <p>COURT SYSTEM</p> <ul style="list-style-type: none"> • \$16 million • Addresses costs associated with jurors, witnesses, interpreters, expert witnesses for prosecutors, equipment maintenance, hardware and software 	 <p>NORTH CAROLINA BUSINESS COURTS</p> <ul style="list-style-type: none"> • \$1.2 million • Expands existing North Carolina Business Courts, as recommended by the North Carolina Economic Development Board
 <p>INCENTIVE PAYMENT</p> <ul style="list-style-type: none"> • \$1.5 million • Incentivizes judges, prosecutors, and defense attorneys to resolve cases more efficiently, reducing costs to the state 	

27

Addressing needs for mental health services: DMJ

Invests nearly \$24 million in new funding for mental health services in our prisons

<p>Behavior health treatment units</p> <ul style="list-style-type: none"> • \$17 million • Establishes behavior health treatment units at eight high security prisons across the state • New positions to improve mental health screening at intake centers 	<p>Mental health beds</p> <ul style="list-style-type: none"> • \$6.7 million • Opens another 72 inpatient mental health beds at the Central Prison Health Care Facility
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28

Addressing needs for mental health services

Invests nearly \$82 million in new funding for mental health and substance abuse services

Community mental health services	State mental health facilities
<ul style="list-style-type: none"> • \$42 million • Investments to cover mental health needs in our communities • Treating substance abuse in our communities 	<ul style="list-style-type: none"> • \$39.4 million • Start-up funding for the new Broughton Hospital • Ensuring financial viability of state health facilities by acknowledging acuity and patient mix we serve

29

Supporting the well-being of our most vulnerable citizens

Provides more than \$10.8 billion in Department of Health and Human Services funding to support the well-being of our most vulnerable citizens

The Office of Chief Medical Examiner <ul style="list-style-type: none"> • Increase of \$5.3 million • Improves services and replaces equipment for the Office of the Chief Medical Examiner 	Adoption and Foster Care <ul style="list-style-type: none"> • Increase of \$15 million • Funding for foster care and adoption services • Ensures all children needing support have access 	NC FAST and NC TRACKS <ul style="list-style-type: none"> • Increase of \$22.9 million • Replaces legacy IT systems to more efficiently serve citizens and pay providers
Medicaid <ul style="list-style-type: none"> • \$287 million in the first year and \$461 million in the second • Provides health coverage to more than 1.8 million low-income families 	Medicaid Reform <ul style="list-style-type: none"> • Supports Healthy NC reform plan to put patients first and control costs for taxpayers • Accountable Care Organization delivery model 	Medicaid Risk Reserve <ul style="list-style-type: none"> • \$175 million over two years • Provides buffer against inevitable uncertainty in one of our biggest cost drivers

30

DHHS STATE FUNDING

Medical Assistance and Mental Health account for 86% of DHHS
General Fund appropriations in the recommended budget



2015-16 Recommended State General Fund Appropriation

3131

	2013-14 Actual	2014-15 Authorized	2015-16 Recommended	% Change	2016-17 Recommended	% Change
Requirements	\$9,826,190,625	\$12,545,807,373	\$12,648,865,093	0.8%	\$12,658,957,456	.9%
Requirements¹					\$12,765,916,778	1.8%
Receipts	\$2,058,512,652	\$4,383,473,145	\$4,251,570,900	-3.0%	\$4,250,083,628	-3.0%
GF Appropriation	\$7,767,677,973	\$8,162,334,288	\$8,397,294,193	2.9%	\$8,408,873,828	3.0%
GF Appropriation¹					\$8,515,833,150	4.3%

¹ \$107 million for incremental enrollment increase for 2016-17 placed in statewide reserve

Highlights of Savings

- Operating efficiencies of \$6 million each year
- Reduced costs of \$20 million each year in transportation

Highlights of Investments

- Investments an additional \$110 million each year in teacher and administrator salary increases, and \$15 million over the biennium for highly effective teachers
- \$42 million in 2015-16 and \$47 million in 2016-17 to support wireless Internet access and enhance student access to instructional resources
- \$100 million in 2015-16 and \$207 million in 2016-17 for teachers, teacher assistants, and other positions and resources required to fully support enrollment growth

22

	2013-14 Actual	2014-15 Authorized	2015-16 Recommended	% Change	2016-17 Recommended	% Change
Requirements	\$4,275,146,894	\$4,342,417,394	\$4,356,494,018	0.3%	\$4,355,467,107	0.3%
Requirements¹					\$4,386,403,645	1.0%
Receipts	1,702,389,651	\$1,695,603,295	\$1,735,154,834	2.3%	\$1,722,610,554	1.6%
GF Appropriation	\$2,572,757,242	\$2,646,814,099	\$2,621,339,184	-1.0%	\$2,632,856,553	-0.5%
GF Appropriation¹					\$2,663,793,091	0.6%

1. Includes allocation of \$30.9M enrollment growth incremental increase budgeted in OSBM reserve for 2016-17.

- **Highlights of Savings**
 - Operating efficiencies of \$49.9 million, with flexibility to achieve savings
 - Leverages non-State funds of \$36.0 million in FY 15-16 and \$27.9 million in FY 16-17
- **Highlights of Investments**
 - Provides additional \$4.4 million to continue North Carolina's commitment to offer in-state tuition to qualifying nonresident veterans.
 - Stabilizes ECU Brody School of Medicine with \$8 million in each year for medical education.
 - Fully funds enrollment growth of \$49.3 million and \$80.3 million for each year of biennium.

33

	2013-14 Actual	2014-15 Authorized	2015-16 Recommended	% Change	2016-17 Recommended	% Change
Requirements	\$1,440,356,392	\$1,462,859,992	\$1,453,333,617	-0.7%	\$1,458,333,617	-0.3%
Receipts	\$424,395,744	\$413,813,125	\$418,444,740	1.1%	\$417,444,740	0.9%
GF Appropriation	\$1,015,960,648	\$1,049,046,867	\$1,034,888,877	-1.3%	\$1,040,888,877	-0.8%

- **Highlights of Savings**
 - Saves \$3 million each year due to declining enrollment
 - Increases community college tuition by \$4 per credit hour, maintaining North Carolina community college tuition among the lowest in the country and the southeastern region
- **Highlight of Investments**
 - Fully fund enrollment in summer term curriculum classes beginning in summer 2015, which will result in additional enrollment funding in 2016-17
 - \$2 million each year to allow the NC Community College System to offer in-state tuition to qualifying nonresident military veterans
 - Provides \$5 million each year for a critical upgrade of the College Information System, the central data system used by all 58 community colleges
 - \$5 million in the second year to purchase current, up-to-date equipment and technology used to prepare students in STEM fields

34

Overview: Natural Resources						
	2013-14 Actual	2014-15 Authorized	2015-16 Recommended	% Change	2016-17 Recommended	% Change
Requirements	\$18,468,002,559	\$18,992,200,857	\$19,601,533,472	5.75%	\$20,206,607,175	8.94%
Receipts	\$13,574,353,755	\$13,843,782,988	\$14,295,404,925	5.82%	\$14,675,807,718	8.58%
GF Appropriation	\$4,893,648,804	\$5,148,417,869	\$5,306,128,547	5.56%	\$5,530,799,457	9.92%
<ul style="list-style-type: none"> Highlights of Savings <ul style="list-style-type: none"> Operating efficiencies save 7.5 million each year by reducing vacant positions and personal services contracts Leverages non-state funds of \$47.4 million in year one and \$27.8 million in year two Highlights of Investments <ul style="list-style-type: none"> Reflects an estimated need for \$287.5 million in year one and \$460.6 million in year two for the Medicaid rebase Invests \$10.2 million in year one and \$32 million in year two for Community mental health services Invests \$27.9 million and \$11.6 million in year two to support State operated health care facilities Invests \$4.5 million in year one and \$10.4 million in year two for foster care and adoption services Continues investment in Pre K slots from 2014-15 by providing \$5.04 million in each year Supports NC FAST to improve access to services by investing \$5.8 million in year one and \$13 million in year two Invests \$735,000 in year one and \$4.6 million in year in the Office of the Chief Medical Examiner 						
						35

Overview: Natural Resources						
	2013-14 Actual	2014-15 Authorized	2015-16 Recommended	% Change	2016-17 Recommended	% Change
Requirements	\$732,131,642	\$706,667,644	\$583,141,794	-17.48%	\$584,582,906	-17.28%
Receipts	\$376,227,475	\$298,080,633	\$271,228,049	-9.01%	\$271,176,161	-9.03%
GF Appropriation	\$355,904,167	\$ 408,587,011	\$311,913,745	-23.66%	\$313,406,745	-23.29%
<ul style="list-style-type: none"> Highlights of Savings <ul style="list-style-type: none"> Operating efficiencies of \$2.2 million each year of biennium Promotes better customer service, increased revenue and more consistent oversight of state attractions by shifting the management of the attractions from DENR to the Department of Cultural Resources Leverages non-state resources of \$600,000 each year of the biennium Highlights of Investments <ul style="list-style-type: none"> \$99 and \$107 million in each year to support existing NC Competes (JDIG, One NC, JMAC) contractual obligations \$10 million each year to encourage long-term, sustainable film projects Supports the Governor's Innovation to Jobs initiative through \$5 million each year for the One NC Small Business Program Provides \$1 million each year to the Farmland Preservation Trust Fund 						
						36

	2013-14 Actual	2014-15 Authorized	2015-16 Recommended	% Change	2016-17 Recommended	% Change
Requirements	\$2,586,805,935	\$2,578,348,785	\$2,596,317,359	0.70%	\$2,666,689,055	3.43%
Receipts	\$239,048,338	\$199,746,605	\$196,862,131	-1.44%	\$196,330,419	-1.71%
GF Appropriation	\$2,347,757,597	\$2,378,602,180	\$2,399,455,228	0.88%	\$2,470,358,636	3.86%

All figures in millions of dollars.

• **Highlights of Savings**

- Operating efficiencies of \$16.6 million in 2015-16 and \$2 million in 2016-17
- Leverages non-state resources of \$48,000 each year of the biennium

• **Highlights of Investments**

- \$21 million in 2016-17 to begin implementing new salary classifications for correctional officers and supervisors
- \$1.7 million and \$1.9 million each year to fund 5% step increase for 700 eligible state troopers
- Increases funding for mental health treatment of inmates by \$24 million
- Provides \$2 million to improve State Crime Lab processes and reduce criminal case backlogs
- Addresses critical operating needs in the court system with \$6 million in 2015-16 and \$10 million in 2016-17
- Invests \$1.2 million over the biennium to expand NC Business Courts
- Funds backlog of payments to private counsel who represent indigent clients by \$9 million over the biennium
- Improves safety by providing \$1 million in each year of the biennium for law enforcement officers to use emerging technology to locate and rescue children in danger

37

	2013-14 Actual	2014-15 Authorized	2015-16 Recommended	% Change	2016-17 Recommended	% Change
Requirements	\$673,273,702	\$741,705,572	\$716,356,890	-3.42%	\$715,888,584	-3.48%
Receipts	\$266,371,404	\$316,255,530	\$218,500,266	-30.91%	\$210,938,568	-33.30%
GF Appropriation	\$406,902,298	\$425,450,042	\$497,856,624	17.02%	\$504,950,016	18.69%

• **Highlights of Savings**

- Saves \$3 million each year of the biennium
- Establishes the Department of Information Technology

• **Highlights of Investments**

- \$2.7 million each year for Military Affairs Commission recommendations
- \$11 million in each year of the biennium in affordable housing initiatives
- \$12.1 million in year one and \$7.2 million in year two in receipts to fund information technology improvements and critical operations in the Department of Revenue
- Supports the Innovation to Jobs Initiative through:
 - \$2.5 million in each year for the Rallying Investors and Skilled Entrepreneurs for NC (NC RISE) program
 - \$2.5 million in year one and \$5 million in year two for the University Innovation Commercialization Grant Program

38

	2014-15 Actual	2014-15 Authorized	2015-16 Recommended	% Change	2016-17 Recommended	% Change
Requirements	\$4,468,896,312	\$4,383,900,270	\$4,424,087,791	0.92%	\$4,405,474,286	0.5%
Receipts	\$1,665,559,795	\$1,237,364,844	\$1,263,087,791	2.08%	\$1,169,074,286	-5.5%
HF & HTF Appropriation	\$2,782,266,949	\$3,146,535,426	\$3,161,000,000	0.46%	\$3,236,400,000	2.9%
Change in Fund Balance	\$(21,069,560)	\$ -	\$ -		\$ -	

Highlights of Savings:

- Redirects \$94 million in Highway Fund appropriations, generated from efficiencies identified in other programs, to support other Transportation priorities

Highlights of Investments:

- \$4.8 billion to lay the foundation for our 25-year transportation vision
- Provides \$135 million in additional funding for the strategic investments in the Highway Trust Fund
- Provides \$10 million for the Small Construction Program to ease congestion in rural and urban areas
- Funds the final phase of customer service improvements for the Division of Motor Vehicles license services

Will request a transportation bond of \$1.3 to \$1.4 billion to take advantage of historically low interest rates

<ul style="list-style-type: none"> DENR - Water Resources Development Projects <ul style="list-style-type: none"> Provides \$5 million each year for the State's share of Water Resources Development Projects Leverages \$10.4 million in federal funds Department of Public Safety - National Guard <ul style="list-style-type: none"> Provides \$618,000 in year one and \$5 million in year two to expand and rehabilitate National Guard Readiness Centers The Readiness Centers are located in Franklin County, Onslow County, Pasquotank County and Rockingham County Repair & Renovation Funds: \$47 million
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3-10-15

VISITOR REGISTRATION SHEET

Jt Committee on Appropriations

03/10/15

Name of Committee

Date

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Stephen Bailey	SEANC
Paul Foderin	HTGAC
Carr McLamb	Troutman Sanders
Elizabeth Groenewold	Hunt Institute
Ed Sulzberger	Woods Prentice
Ma H Gross	NCR
Kay Castillo	NASW-NC
Ruian Merwald	Williams Miller
J. GRANEL SHERZILL	Office of Norm Sanderson - Intern
Rob Schiller	NC Symphony



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Celia Cox	OSBM
Markisha Baker	OSBM
JOE WHITE	OSBM
Jeanne Yeoman	OSBM
Cody Carris	Sarah Stevens
Barbara Roper	DOA
Edgar Miller	CTNC
Philip Barefoot	McGuire Woods
Jared Cates	CFSA
Wayne Williams	OSBM



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<i>[Signature]</i>	Misc-
Baltham Moore	Conf of Chiefs of Sp Ct
Douglas Helbeck	NC SBA
Tom West	NCICU
Bruce Mildwest	NC SBA
Deanne Wynn	NC SBA
Erin Jones	TWC
<i>[Signature]</i>	MAC
Sc Barringer	Sen. Tamera Barringer
Debbie Perkins	Perkins Law
Kathy G. Barringer	Sen. Tamera Barringer



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Greg Piner	OSBM
Judy McDermott	OSBM
Sarah Grimsrud	OSBM
Matthew Cobb	Senate intern
Josh Ehrench	JDA
Audrey Brandon	DPS
Rob L. Murr	RLA
Lao Rubent	CSPE
EVELYN PURSLEY	NCSB
Wm Deason	



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Joanna Spruill	NLAFF
Fel Bon	Bone : Asso.
Trent Womble	DHHS
BIV. Rustin	ASJ
Sarah Vance	NCDOL
Joy Heller	NCAH
Steve Pinner	Shaw-Wood Science Museum
Margaret Duke	OSHP
Kara Weishaar	Smith Anderson
Meghan Cook	OITS



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Martha Jenkins	DCR
Phly Tans	NC DOC
Brad Knott	NC DENR
Alice Miller	NCDOC
Shannan Hobby	Commerce
Pam Cashwell	NC SEC
Erin Fleck	Senate staff
Fred Atkins	
Elizabeth Biser	BOB
Therese	
Tracy	NC DENR



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Jennifer Cogswell	NCHAS
Fred Steen II	Governor's Office
Matthew Dockham	NC DENR
Ryan Blackledge	Cone Health
Adam Prodenre	NCRASP
Nelson Freeman	NC DOR
Shirley Hanna	NCDTSEA
Jay Stem	NCAA
JACKSON TANCIL	LLS
DANIEL VANLIERE	VIDANT HEALTH
JOHN COOPER	Capital City Judges
Camille Henry	MCA



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03/10/15

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FIRM OR AGENCY AND ADDRESS

Will Pany-Hill

NCHFA



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Betty Doster	ONE Charlotte
Arnell Murrell	UNC GA
Jule Mayfield	Mountain View Asheville NC
Bob Wagner	" "
Jonathan Kappler	UNC CIA
Andy Chase	KMA
Paul Malab	East Side OCP
Christina	DOT
Pe. Brown	Conf. of DAs
Wang Shuping	NCCCS



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TJ Buzbee	NP
Tanya Horton	TJ
Amanda Horner	TSS
Erica Nelson	NCHA
Jim Dikens	BSA
Rod Davis	DHHS
Marjorie Donaldson	DHHS
Jim Slate	DHHS
Frank Hill	PSG
Ang ELL	W. P. Corp



VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS/BASE BUDGET

March 10, 2015

Name of Committee

Date _____

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NAME _____

FIRM OR AGENCY AND ADDRESS

Patric B. Miller

NC desti contin



**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Appropriations** will meet as follows:

DAY & DATE: Tuesday, May 19, 2015
TIME: 9:00 AM
LOCATION: 643 LOB
COMMENTS: 2015 Appropriations Act

Respectfully,
Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 2:23 PM on Thursday, May 14, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Candace Slate (Committee Assistant)



MINUTES
HOUSE COMMITTEE ON APPROPRIATIONS

Tuesday, May 19, 2015

9:00 a.m.

Legislative Office Building, Room 643

ATTENDEES:

Chairmen: Dollar, L. Johnson, Lambeth, McGrady

Vice Chairmen: Arp, Avila, Blackwell, Boles, Brawley, R. Brown, B. Brown, Bryan, Burr, Cleveland, Daughtry, Dixon, Dobson, Faircloth, Hardister, Holloway, Horn, Hurley, Iler, Malone, McElraft, Presnell, Riddell, Saine, Shepard, Tine, Torbett, West

Members: Adcock, Baskerville, L. Bell, Brockman, Brody, Bumgardner, Catlin, Conrad, Earle, Elmore, Farmer-Butterfield, Fisher, Floyd, Ford, Fraley, Gill, Glazier, C. Graham, G. Graham, D. Hall, L. Hall, Harrison, Hunter, Insko, Jackson, Langdon, Lewis, Lucas, G. Martin, McNeill, Michaux, Millis, Pendleton, Pierce, Pittman, Queen, Richardson, Salmon, Speciale, Stam, Stevens, Terry, B. Turner, R. Turner, Watford, Whitmire, Willingham, Wray, Yarborough

I. Call to Order

Senior Chair, Nelson Dollar presided and called the meeting to order at 9:20 a.m.

II. Introductions

Representative Dollar introduced students who were serving as House Pages.

III. Review of Rules

Representative Dollar reviewed 2015 Rules for Committee Procedures

IV. Action Agenda Items

A. 2015 Appropriations Act

B. Proposed Committee Substitute H97-PCS30383-LRxf-11

Representative Dollar called upon committee chairs to review their committee's budget.

Education:	Representative Horn
Health:	Representatives Avila, Malone, Dobson
JPS:	Representatives Faircloth, Daughtry, Hurley
AG-NER:	Representative McElraft
General Government:	Representative Cleveland
Transportation:	Representatives Tine, Torbet, Shepard, Iler
Capital:	Representative Hardister
IT:	Representatives Saine, Queen

C. Amendments

<u>Representative</u>	<u>Amendment</u>	<u>Adopted/Failed</u>
Dobson	H97-ATR-5 [v.6]	Adopted
B. Brown	H97-ATR-11 [v.3]	Adopted
Lambeth	H97-ATR-7 [v.4]	Adopted
Hurley	H97-AMD-13 [v.6]	Adopted
McElraft	H97-AMH-23 [v.4]	Adopted
McElraft	H97-AMH-21 [v.4]	Adopted
Whitmire	H97-AMM-81 [v.2]	Adopted
Dollar	H97-ATR-9 [v.6]	Adopted
Arp	H97-AMD-15 [v.3]	Adopted
McElraft	H97-ALM-17 [v.5]	Adopted
Tine	H97-AML-32 [v.1]	Adopted
Dollar	H97-ALU-8 [v.2]	Adopted
Saine	H97-AMQ-5 [v.7]	Adopted
Insko	H97-AMC-42 [v.5]	Adopted
Boles	H97-ALL-8 [v.6]	Adopted
Boles	H97-AMD-14 [v.4]	Adopted
Elmore	H97-AMK-23 [v.3]	Adopted
	Show of hands	Aye: 44 No: 26
Elmore	H97-AMK-24 [v.2]	Adopted
Tine	H97-AMK-20 [v.3]	Adopted
Daughtry	H97-ALL-13 [v.2]	Adopted
McElraft	H97-ALM-18 [v.3]	Adopted
Avila	H97-AMQ-6 [v.1]	Adopted
Avila	H97-ALU-5 [v.6]	Adopted
Burr	H97-ALU-11 [v.1]	Adopted
Burr	H97-ALU-6 [v.3]	Adopted
West	H97-AMH-24 [v.4]	Adopted
Dollar	H97-ALR-6 [v.1]	Adopted
McElraft	H97-AMH-27 [v.2]	Adopted
Horn	H97-ALH-15 [v.12]	Adopted
Glazier	H97-AMK-27 [v.1]	Adopted
Glazier	H97-ALL-14 [v.1]	Adopted
R. Turner	H97-ALL-15 [v.1]	Adopted
Lewis	H97-AMD-20 [v.2]	Adopted
	Show of hands	Aye: 41 No: 26
Cleveland	H97-ALG-9 [v.14]	Adopted



Stam	H97-AML-21 [v.1]	Adopted
	Show of hands Aye: 41	No: 26
West	H97-AMH-31 [v.2]	Adopted
Horn	H97-ALE-24 [v.1]	Adopted
Holloway	H97-AMH-28 [v.3]	Adopted
	Show of hands Aye: 33	No: 32
Avila	H97-ATR-13 [v.1]	Adopted
Whitmire	H97-AMD-25 [v.2]	Adopted
Brody	H97-AMK-26 [v.2]	Adopted
Torbet	H97-AML-21 [v.11]	Adopted
Blackwell	H97-AMK-28 [v.7]	Adopted
Whitmire	H97-ALH-19 [v.7]	Adopted
G. Martin	H97-AML-17 [v.2]	Failed
G. Martin	H97-AML-20 [v.2]	Failed
B. Brown	H97-AMK-22 [v.3]	Failed
Bumgardner	H97-AMC-56 [v.1]	Failed
Baskerville	H97-AML-13 [v.4]	Failed
Richardson	H97-AMQ-7 [v.1]	Failed
Holloway	H97-AMH-29 [v.3]	Failed
Pittman	H97-AMD-24 [v.4]	Failed
Burr	H97-AML-29 [v.4]	Failed

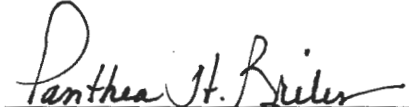
Representative Roger West moved that House Bill 97, as amended, be rolled into a Committee Substitute; favorable report as to the Committee Substitute, unfavorable as to the original Bill; and further, move that staff be authorized to make technical corrections and also conforming changes related to reconciling the various amendments adopted.

Chairman Dollar called for the question. Vote on the motion was unanimous.

V. Adjournment

The House Committee on Appropriations adjourned at 9:26 p.m.


Representative Nelson Dollar, Senior Chair
Presiding


Panthea Briles, Committee Clerk





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 1
(to be filled in by
Principal Clerk)

H97-ATR-5 [v.6]

Page 1 of 1

Amends Title [NO]
PCS

Date 5-19, 2015

Representative Dobson

1 moves to amend the PCS on page 127, lines 24 and 25, by inserting between the lines a new
2 section to read:

3
4 **"STUDY MEDICAID COVERAGE FOR VISUAL AIDS**

5 **SECTION 12H.6A.** The Department of Health and Human Services, Division of
6 Medical Assistance, in consultation with the Department of Public Safety, shall submit a report
7 to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal
8 Research Division by October 1, 2015 containing an analysis of the fiscal impact to the State of
9 reinstating Medicaid coverage for visual aids for adults utilizing a contract with the Department
10 of Public Safety for fabrication of the eyeglasses at Nash Optical Plant Optical Laboratory. The
11 report shall also analyze the cost of reinstating Medicaid coverage for routine eye examinations
12 for adults in addition to the coverage for visual aids."

SIGNED

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED



* H 9 7 - A T R - 5 - V - 6 *

10.11.14



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO.
(to be filled in by
Principal Clerk)

H97-ATR-11 [v.3]

Page 1 of 1

Amends Title [NO]
PCS

Date _____, 2015

Representative B. Brown

moves to amend the PCS on page 131, lines 42 and 43, by inserting between the lines a new section to read:

"REINSTATE COST SETTLEMENT PURSUANT TO 1993 STATE AGREEMENT

SECTION 12H.17. Effective July 1, 2015, the cost settlement for outpatient Medicaid services performed by Vidant Medical Center, which was previously known as Pitt County Memorial Hospital, shall be at one hundred percent (100%) of allowable costs."; and

moves to amend the Money Report on page G10, item 49, by decreasing the appropriation in both years by \$3,400,000; and

moves to amend the Money Report on page G14, item 63, by inserting immediately after the item a new item to read:

"63A Reinstate Cost Settlement per 1993 Agreement	\$3,400,000 R	\$3,400,000 R
Increases outpatient cost settlement for Vidant Medical Center to 100% of allowable costs."; and		

moves to adjust the appropriate totals accordingly.

SIGNED

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 6
(to be filled in by
Principal Clerk)

H97-ATR-7 [v.4]

Page 1 of 1

Amends Title [NO]
PCS

Date _____, 2015

Representative Lambeth

- 1 moves to amend the PCS on page 95, line 30, by rewriting the line to read:
2
3 "pertaining to the HIE Network. The Department may use these funds for monthly operating
4 expenses of the NC HIE. The Department shall not use these funds for purposes other".

SIGNED *Doug C. Lambeth*
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____



* H 9 7 - A T R - 7 - V - 4 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 21
(to be filled in by
Principal Clerk)

H97-AMH-23 [v.4]

Page 1 of 2

Amends Title [NO]
H97-PCS30383-LRx-f-11

Date _____, 2015

Representative McElraft

moves to amend the bill on page 156, lines 19-47, by rewriting the lines to read:

"STATE PARKS BUDGET/POSITIONS

SECTION 14.12. Effective July 1, 2015, the following positions are eliminated:

Position number

Title

60032794	Accounting Clerk V
65020598	Facility Maintenance Supervisor II
65020599	Facility Maintenance Supervisor II
60032862	Park Ranger
60033199	Office Assistant V
60032905	Park Ranger
60032990	Office Assistant III
65011956	Maintenance Mechanic IV
65020681	Law Enforcement Officer
65020682	Maintenance Mechanic II
60032817	Park Ranger
60032949	Regional Trails Specialist
65020704	Law Enforcement Officer
65020707	Office Assistant IV
60032797	Park Ranger
60033242	Processing Assistant IV
60032954	Office Assistant IV
60033181	Park Ranger
60032994	Office Assistant IV
60032934	Office Assistant III
60033031	Maintenance Mechanic II
60033235	Maintenance Mechanic I
60033141	Maintenance Mechanic IV
60033099	Park Ranger
60033226	Office Assistant III
60033041	Office Assistant III
60033020	Maintenance Mechanic III
60033204	Maintenance Mechanic I";



* H 9 7 - A M H - 2 3 - V - 4 *

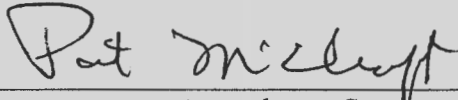
NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H97-AMH-23 [v.4]

Page 2 of 2

- 1 and further moves to amend the House of Representatives Appropriations Committee Report on
2 the Continuation, Expansion and Capital Budgets, dated May 19, 2015, on page H-10, item 48,
3 by increasing the position count reduction by 1.50 in each fiscal year of the biennium, and by
4 rewriting the item to read:
5 "Eliminates positions vacant greater than 6 months and associated operating costs of \$28,377.
6 A list of positions can be found in the Appropriations Act.";
7
8 and on page H-11, item 59, by rewriting the last sentence in the item description to read:
9 "Total State grant funding available over the biennium is approximately \$33.8 million."

SIGNED 
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 22
(to be filled in by
Principal Clerk)

Page 1 of 1

H97-AMH-21 [v.4]

Amends Title [NO]
H97-CSLRxf-11

Date _____, 2015

Representative McElraft

1 moves to amend the House of Representatives Appropriations Committee Report on the
2 Continuation, Expansion and Capital Budgets, dated May 19, 2015, on page H-7, item 23, by
3 rewriting the description of the item to read:
4 "Reduces the department's administrative services operating budget. Also shifts two accounting
5 positions (60036006 and 60036000) to federal indirect cost receipts. Total reduction to the
6 operating budget is 13%, leaving approximately \$1.9 million in operating support for
7 administration."
8

SIGNED

Pat M. Elbert
Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED



* H 9 7 - A M H - 2 1 - V - 4 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 24
(to be filled in by
Principal Clerk)

H97-AMM-81 [v.2]

Page 1 of 1

Amends Title [NO]
H97-PCS30383-LRxf-11

Date _____, 2015

Representative Whitmire

- 1 moves to amend the bill on page 280, line 35, be deleting the phrase "February 1, 2016" and
2 substituting "October 1, 2015".
3

SIGNED

Chris Whitmire

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED



* H 9 7 - A M M - 8 1 - V - 2 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 25
(to be filled in by
Principal Clerk)

Page 1 of 1

H97-ATR-9 [v.6]

Amends Title [NO]
PCS

Date _____, 2015

Representative Dollar

moves to amend the PCS on page 120, lines 15 and 16, by inserting between the lines a new section to read:

"CONSOLIDATION OF LME/MCOS

SECTION 12F.9.(a) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall consolidate the existing local management entities/managed care organizations (LME/MCOs) to no more than five LME/MCOs by July 1, 2017. In consolidating the LME/MCOs, the Department shall consider the impact of the following:

- (1) Savings on the administrative cost included in the capitation rates as a result of economies of scale.
- (2) Enhancing access to and coordination of behavioral health care throughout the State.
- (3) The fiscal sustainability of the LME/MCO system.
- (4) The competencies and capacities of the LME/MCOs to manage care effectively to ensure the best outcomes at the lowest cost.

SECTION 12F.9.(b) The Department shall report to the Joint Legislative Oversight Committee on Health and Human Services by January 15, 2016 on the plan for consolidation and the progress toward completion of the plan."

SIGNED

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED



* H 9 7 - A T R - 9 - V - 6 *

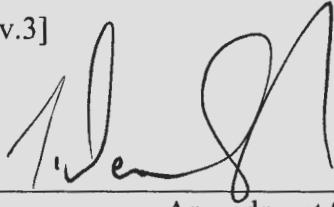
NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H97-AMD-15 [v.3]

Page 2 of 2

SIGNED _____



Amendment Sponsor

SIGNED _____

Committee Chair if Senate Committee Amendment

ADOPTED _____

FAILED _____

TABLED _____



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 31
(to be filled in by
Principal Clerk)

H97-ALM-17 [v.5]

Page 1 of 1

Amends Title [NO]
First Edition

Date _____, 2015

Representative McElraft

moves to amend the House Appropriations Committee Money Report (May 19, 2015) on page H-22 by adding a new Item under the Industrial Commission to read as follows:

	FY 15-16	FY 16-17
78A Operating Reduction (1831)	(\$217,141) R	(\$217,141) R
Reduces the operating budget for the Industrial Commission.";		

And on page H-22, Item 80, by rewriting that Item to read as follows:

	FY 15-16	FY 16-17
80 Processing Assistant IV (1831)	(\$38,566) R	(\$38,566) R
Eliminates a position (60080765) vacant for more than 1 year.";	-1.0	-1.0

And by adjusting the appropriate totals accordingly.

SIGNED

Pat McClellan

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED



* H 9 7 - A 1 M - 1 7 - V - 5 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 36
(to be filled in by
Principal Clerk)

Page 1 of 1

H97-AML-32 [v.1]

Amends Title [NO]
H97-PCS30383-LRxf-11

Date _____, 2015

Representative Time

- 1 moves to amend the PCS on page 248, line 36, by rewriting the line to read:
2 "qualified consulting firm to perform this review and study. The Department of Transportation
3 is prohibited from entering into a contract for any services for a period of one year after the
4 study and review completed pursuant to this subdivision with any consulting firm that performs
5 a study and review pursuant to this subdivision. The study and".

SIGNED

Q. 115

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED



* H 9 7 - A M L - 3 2 - V - 1 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 37
(to be filled in by
Principal Clerk)

H97-ALU-8 [v.2]

Page 1 of 2

Amends Title [NO]
PCS30383-LRx-f-11

Date _____, 2015

Representative Dollar

1 moves to amend the bill on page 5, line 49, by inserting between the words "Sales" and "for"
2 the word "Tax"; and

3
4 on page 33, line 46, through page 34, line 5, by deleting those lines; and

5
6 on page 287, by inserting between lines 33 and 34, the following new section to read:

7 **"DISTRIBUTION OF STATEWIDE SALARY RESERVES**

8 **SECTION 30.28.(a)** The funds appropriated for salaries and benefits within the
9 Statewide Reserves set forth herein shall be distributed to the respective State agencies,
10 departments, and institutions based on the provisions of Part 9, Part 28, and Part 30 of this act.
11 and the appropriate totals are adjusted accordingly.

12 **SECTION 30.28.(b)** In order to effectuate the salary increase authorized by this act
13 in the Department of Transportation, funds appropriated for the Secondary Road Maintenance
14 and Improvement Program are reduced by the sum of nine million eight hundred eighty-four
15 thousand two hundred eleven dollars(\$9,884,211) for the 2015-2016 fiscal year and funds
16 appropriated to the Reserve for General Maintenance are reduced by the sum of eleven million
17 five hundred thirty-seven thousand seven hundred eleven dollars (\$11,537,711) for the 2016-
18 2017 fiscal year.

19 **SECTION 30.28.(c)** With respect to subsections (a) and (b) of this section, the
20 appropriate totals are adjusted accordingly."; and

21
22 on page 311, line 37, by deleting "32.2A.(a)" and substituting "32.5A.(a)"; and

23
24 on page 311, line 45, by deleting "32.2A.(b)" and substituting "32.5A.(b)"; and

25
26 on page 311, line 47, by deleting "32.2B.(a)" and substituting "32.5B.(a)"; and



* H 9 7 - A L U - 8 - V - 2 *

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

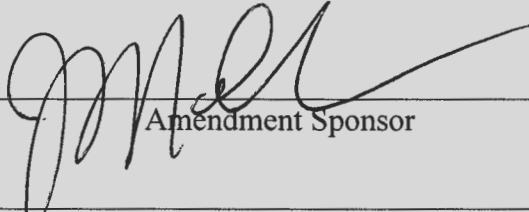
AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H97-ALU-8 [v.2]

Page 2 of 2

1 on page 312, line 19, by deleting "32.2B.(b)" and substituting "32.5B.(b)".
2

SIGNED _____



Amendment Sponsor

SIGNED _____

Committee Chair if Senate Committee Amendment

ADOPTED _____

✓

FAILED _____

TABLED _____



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 39
(to be filled in by
Principal Clerk)

Page 1 of 1

Amends Title [NO]
PCS-CSLRxf-11

Date _____, 2015

Representative Saine

1 moves to amend the bill on page 18, line 26, by deleting the line; and
2
3 On page 18, line 50, by deleting "1,734,555" and substituting "61,734,555"; and
4
5 On page 19, line 4, for FY 2016-2017, by deleting "766,500" and substituting "804,825"; and
6
7 On page 19, line 12, by deleting "183,492,436" and substituting "183,631,911"; and
8
9 On page 19, line 17, by deleting "180,829,861" and substituting "180,969,336"; and
10
11 On page 20, line 30, by deleting "\$1,500,000" each time it occurs, and substituting
12 "\$2,000,000";
13
14 And further by adjusting the appropriate totals accordingly;
15
16 And further moves to amend the House of Representatives Appropriations Committee Report
17 on the Base, Expansion and Capital Budgets, dated May 19, 2015,
18
19 On page N4 by increasing "\$183,492,436" each time it appears by the amount of \$139,475;
20
21 And further by adjusting the appropriate totals accordingly.

SIGNED

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

FAILED

TABLED





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO.
(to be filled in by
Principal Clerk)

Page 1 of 1

H97-AMC-42 [v.5]

Amends Title [NO]
H97-PCS30383-LRxf-11

Date _____, 2015

Representative Insko

moves to amend the bill on page 230, lines 48-49, by inserting between the lines the following language to read:

"DOROTHEA DIX MEMORIAL

SECTION 27.4. The Department of Administration shall appoint a task force to acquire historical documents, photographs, and memorabilia relating to Dorothea Lynde Dix, mental health efforts in the State, and the Dorothea Dix Hospital. The Department shall propose options to preserve a building or provide a space on the Dorothea Dix campus for the purpose of permanently exhibiting the acquired historical materials for the purposes of (i) memorializing and honoring the unique history of Dorothea Dix Hospital and the story of Dorothea Dix and (ii) educating the public about her advocacy for and innovations in the proper treatment of the mentally ill. The Department shall submit a report of its proposed options to the Joint Legislative Oversight Committee on Health and Human Services by April 1, 2016."

SIGNED

Valley Center

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED



* H 9 7 - A M C - 4 2 - V - 5 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 42
(to be filled in by
Principal Clerk)

H97-ALL-8 [v.6]

Page 1 of 1

Amends Title [NO]
H97-PCS30383-LRxf-11

Date _____, 2015

Representative Boles

1 moves to amend the committee report on page I-4, item 23,
2 by rewriting the description for that item as follows:
3
4 "Provides funds to the Broaden Access to Community Treatment program. These funds shall be
5 restricted to substance abuse treatment services for offenders assessed as moderate to high risk
6 for recidivism and high need for substance abuse services. Funds distributed under this
7 provision shall be given to evidence based programs to enhance, increase, or expand existing
8 substance abuse treatment programs for offenders being supervised by the Department."

SIGNED

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED ☒ FAILED ☐ TABLED ☐





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 43
(to be filled in by
Principal Clerk)

H97-AMD-14 [v.4]

Page 1 of 1

Amends Title [NO]
H97-PCS30383-LRxf-11

Date _____, 2015

Representative Boles

1 moves to amend the Money Report on Page I-2, Item 9, by increasing the amount by five
2 hundred fifty-six thousand five hundred one dollars (\$556,501) in both fiscal years; and
3

4 on Page I-1 by inserting a new item to read:

5 "3A Vacant Positions (\$556,501) R (\$556,501) R

6 Directs DPS to eliminate up to 30 positions throughout
7 the agency that have been vacant for more than 12 months.

8 No sworn law enforcement officers, custody and security
9 officers, or prison health care positions may be eliminated."; and
10

11 moves to amend the PCS on Page 184, Lines 25 and 26, by inserting between the lines a new
12 section to read:

13 "VACANT POSITION ELIMINATION REPORT

14 SECTION 16A.3A. The Department of Public Safety shall report to the Office of
15 State Budget and Management and to the Fiscal Research Division no later than October 1,
16 2015, a list of vacant positions eliminated pursuant to this act. The report shall include the
17 position title, fund code, position number, and budgeted salary of each position eliminated."; and
18 and
19

20 moves to adjust the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ☒ FAILED _____ TABLED _____



* H 9 7 - A M D - 1 4 - V - 4 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 45
(to be filled in by
Principal Clerk)

Page 1 of 1

H97-AMK-23 [v.3]

Amends Title [NO]
PCS30383-LRxf-11

Date _____, 2015

Representative Elmore

moves to amend the N.C. House of Representatives Appropriations Committee Report for House Bill 97, dated May 19, 2015, as follows:

On page F4, item 22, by rewriting the description of that item to read:

"Provides recurring grants of \$300,000 to each of the eight RESAs to provide professional development to teachers and other LEA personnel. The RESAs shall annually provide training on State funding flexibility to all superintendents and/or superintendents' designees. This training will provide information on the budget flexibility afforded by State statutes for differentiated pay and other initiatives to improve student achievement."

SIGNED


Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED







NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 47
(to be filled in by
Principal Clerk)

Page 1 of 1


H97-AMK-20 [v.3]

Amends Title [NO]
PCS30383-LRxf-11

Date _____, 2015

Representative Time

1 moves to amend the bill on page 67, line 10, by rewriting that line to read:
2
3 "completed Curriculum Program Approval Application."
4
5
6

SIGNED 
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ☒ FAILED ☐ TABLED ☐





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 50
(to be filled in by
Principal Clerk)

H97-ALL-13 [v.2]

Page 1 of 1

Amends Title [NO]
H97-PCS30383-LRxf-11

Date _____, 2015

Representative Daughtry

1 moves to amend the bill on page 204, line 21,
2 by inserting between the period and the quotation mark:

3
4 "The Administrative Office of the Courts shall provide direction and oversight to any such
5 specialty session of district court in order to ensure that each district is utilizing best practices
6 and is working effectively and efficiently in the disposition of such specialized cases and
7 consistent with the provisions of G.S. 7A-272."
8

SIGNED


Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED



* H 9 7 - A L L - 1 3 - V - 2 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 51
(to be filled in by
Principal Clerk)

H97-ALM-18 [v.3]

Page 1 of 2

Amends Title [NO]
H97-PCS30383-LRxf-11

Date _____, 2015

Representative McElraft

moves to amend the House of Representatives Appropriations Committee Money Report (May 129, 2015) on page H-21, under Department-wide, by adding a new Item to read as follows:

	FY 15-16	FY 16-17
67A Management Flexibility Reserve	(\$295,516) R	(\$295,516) R
Provides the Secretary discretion to find efficiencies in the Department.";		

And on page H-21, Item 68, by deleting that Item;

And on page H-21, Item 69, by deleting that Item;

And on page H-21, by adding a new Item to read as follows:

	COUNSEL FY 15-16	FY 16-17
70A Deputy Attorney General (1111)	(\$32,211) R	(\$32,211) R
Reduces funding for Deputy General Counsel (60080998) by 50%; receipts will support one-half of the position.";	-0.50	-0.50

and on page H-21, Item 75, by increasing the reduction for that Item by \$101,763 in recurring funds for the 2015-2016 fiscal year and the 2016-2017 fiscal year; and by rewriting the description for that Item to read as follows: "Reduces budget for EDPNC contract by 1.6%; remaining funds total \$17.2 million.";

And on page H-22, by adding a new Item to read as follows:

	FY 15-16	FY 16-17
77A Graphics Positions (1520)	(\$118,146) R	(\$118,146) R
Reduces funding for 2 Artist Illustrator II positions (60081262 & 60081263) by 75% and 1 temporary position by 100%. The positions will be supported by receipts.";	-1.5	-1.5



* H 9 7 - A L M - 1 8 - V - 3 *

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H97-ALM-18 [v.3]

Page 2 of 2

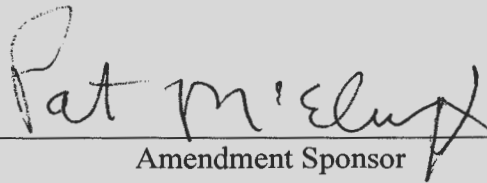
1 and on page H-23, Item 83, by reducing the reduction for that Item by \$254,702 in recurring
2 funds for the 2015-2016 fiscal year and the 2016-2017 fiscal year; and by rewriting the entire
3 description for that Item to read as follows: "Reduces funding for vacation positions.";
4 and on page H-23, Item 87, by deleting the recurring funds appropriated for the 2015-2016
5 fiscal year;

6
7 and on page H-23, Item 84, by deleting that Item;

8
9 and moves to amend the bill on page 170, lines 22-47, by deleting those lines;

10
11 And by adjusting the appropriate totals accordingly.
12
13
14

SIGNED


Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 52
(to be filled in by
Principal Clerk)

Page 1 of 1

H97-AMQ-6 [v.1]

Amends Title [NO]
PCS-CSLRxf-11

Date _____, 2015

Representative Avila

- 1 moves to amend the bill on page 226, lines 21 through 50, by deleting those lines.

SIGNED Marilyn Arula
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ☒ FAILED ☐ TABLED ☐





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 53
(to be filled in by
Principal Clerk)

H97-ALU-5 [v.6]

Page 1 of 2

Amends Title [NO]
PCS30383-LRxf-11

Date 2015

Representative Avila

moves to amend the Appropriations Committee Report dated May 19, 2015, on page G 14, item 61, by decreasing the amount in the 2015-2016 fiscal year by fifty thousand dollars (\$50,000) in nonrecurring funds and decreasing the amount in the 2016-2017 fiscal year by one million two hundred thousand dollars (\$1,200,000) in nonrecurring funds; and

on page G 7, by inserting a new item to read:

"27A Foster Care Expansion to Age 19 (1532)	\$50,000 NR	\$1,200,000 NR
Provides funding to increase the age to 19 for youth in foster care. This item along with the Foster Care Caseload item increases the total availability FY 2016-17 by 12.8% to \$203.2 million.	1.00	1.00

Social Services Program Coordinator - \$58,951"; and

further moves to amend the bill on page 111, by inserting between lines 3 and 4 the following new section to read:

"FOSTERING SUCCESS/EXTEND FOSTER CARE TO 19 YEARS OF AGE

SECTION 12C.9. Expenditure of the funds provided for in item 27A of the Health and Human Services portion of the N.C. House of Representatives Appropriations Committee Report to House Bill 97 is contingent upon passage of House Bill 424 of the 2015 Regular Session, Senate Bill 424 of the 2015 Regular Session, or any other substantially similar legislation is adopted by the 2015 General Assembly; and

by adjusting the appropriate totals accordingly.



* H 9 7 - A L U - 5 - V - 6 *

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

H97-ALU-5 [v.6]

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

Page 2 of 2

SIGNED Marilyn Arula
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 54
(to be filled in by
Principal Clerk)

Page 1 of 1

H97-ALU-11 [v.1]

Amends Title [NO]
PCS30383-LRxf-11

Date _____, 2015

Representative Burr

1 moves to amend the bill on page 99, line 39, by deleting "0-5" and substituting "0-3rd grade";
2 and
3
4 on page 99, line 40, by deleting "6-12" and substituting "4th grade-age 12".
5
6

SIGNED

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 55
(to be filled in by
Principal Clerk)

H97-ALU-6 [v.3]

Page 1 of 1

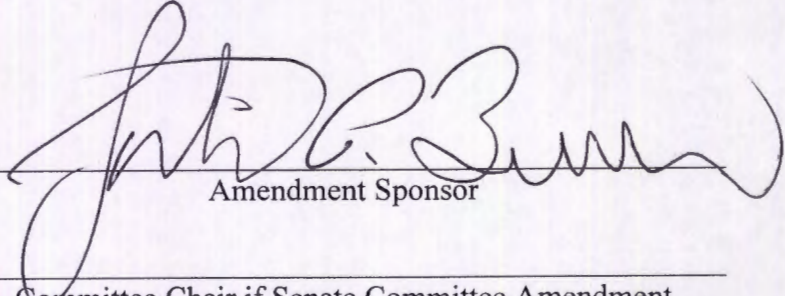
Amends Title [NO]
PCS-H97-CSLRXF-11

Date 2015

Representative Burr

- 1 moves to amend the bill on page 138, lines 32 through 33, by rewriting the lines to read:
2 "17P Project \$52,000; Nurse-Family
3 Partnership \$509,018; Maternity
4 Homes \$925,000) 7,445,148 7,445,148".
5

SIGNED


Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED ☒

FAILED ☐

TABLED ☐



* H 9 7 - A L U - 6 - V - 3 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 58
(to be filled in by
Principal Clerk)

H97-AMH-24 [v.4]

Page 1 of 1

Amends Title [NO]
H97-PCS30383-LRxf-11

Date _____, 2015

Representative West

1 moves to amend the bill on page 164, line 7, by inserting the following provision after that line:
2 **"WATER AND WASTEWATER INFRASTRUCTURE GRANTS**
3 **SECTION 14.17.** Of the nonrecurring funds appropriated by this act for State
4 water and wastewater grants, the sum of five million dollars (\$5,000,000) for the 2015-2016
5 fiscal year shall be used for projects in development tier one counties under the prioritization
6 criteria set forth in applicable law, and the remaining five million dollars (\$5,000,000) shall be
7 used to provide a grant to a municipality located in a development tier two county where the
8 municipality (i) has a population less than 12,000; and (ii) previously received a loan during the
9 2013 calendar year under the Drinking Water State Revolving Fund to replace water
10 distribution lines serving 5,000 or fewer customers that have exceeded their useful life as
11 evidenced by tuberculation, breaks and leaks."

SIGNED

Amendment Sponsor

SIGNED _____

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 62
(to be filled in by
Principal Clerk)

Page 1 of 1

H97-ALR-6 [v.1]

Amends Title [NO]
H97-PCS30383-LRxf-11

Date _____, 2015

Representative Dollar

moves to amend the bill on page 278, lines 18-19, by inserting the following between those lines:

"SPECIAL ANNUAL LEAVE BONUS

SECTION 30.9A.(a) Any person who is (i) a full-time permanent employee of the State or a community college institution on July 1, 2015, and (ii) eligible to earn annual leave shall have a one-time additional five days of annual leave credited on July 1, 2015.

SECTION 30.9A.(b) The additional leave shall be accounted for separately with the leave provided by Section 28.3A of S.L. 2002-126, by Section 30.12B(a) of S.L. 2003-284, by Section 29.14A of S.L. 2005-276 and by Section 35.10A of S.L. 2014-100, and shall remain available until used, notwithstanding any other limitation on the total number of days of annual leave that may be carried forward. Part-time permanent employees shall receive a pro rata amount of the five days."

SIGNED

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 57
(to be filled in by
Principal Clerk)

H97-AMH-27 [v.2]

Page 1 of 1

Amends Title [NO]
H97-PCS30383-LRxf-11

Date 2015

Representative McElraft

- 1 moves to amend the House of Representatives Appropriations Committee Report on the
2 Continuation, Expansion and Capital Budgets, dated May 19, 2015, on page H-7, item 24, by
3 removing the following line: "60035950 – GS 5th Floor Receptionist (1.0)", by reducing the
4 reduction in each fiscal year of the biennium by \$44,693 in recurring funds, and by reducing
5 the position count reduction by 1.00;
6
7 and on page H-9, item 38, by increasing the reduction in each fiscal year of the biennium by
8 \$44,693 in recurring funds and by rewriting the position description to read:
9 "Reduces salary reserve in the Office of Land and Water Stewardship, leaving approximately
10 \$1.76 million in the personnel line items."

SIGNED

Pat McElraft
Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED



* H 9 7 - A M H - 2 7 - V - 2 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 68
(to be filled in by
Principal Clerk)

H97-ALH-15 [v.12]

Page 1 of 2

Amends Title [NO]
PCS30383-LRxf-11

Date 2015

Representative Horn

1 Moves to amend the bill on page 33, line 46, through page 34, line 5, by deleting those lines;
2 and

3
4 On page 57, lines 9-14, by deleting those lines; and

5
6 On page 57, line 15, by rewriting the line to read:

7
8 "SECTION 8.30.(b) By November 15, 2015, and annually thereafter, the"; and

9
10 On page 68, lines 24-30 by rewriting those lines to read:

11 ""(h) The Board may authorize, through the President, that the chancellors may deposit or
12 invest each institution's available trust fund cash balances in interest-bearing accounts and other
13 investments as may be authorized by the Board in the exercise of its sound discretion, without
14 regard to any statute or rule of law relating to the investment of funds by fiduciaries. All cash
15 balances deposited under this subsection shall be secured by deposit insurance, surety bonds, or
16 investment securities satisfying the rules or regulations prescribed under G.S. 147-79. Within
17 120 days of the effective date of this act, the Board of Governors shall prescribe an investment
18 policy that shall identify the authorized forms of public deposits and investment securities held
19 under this subsection.""; and

20
21 On page 69, lines 41- 42,
22 by inserting a period immediately after the phrase "shall not revert at the end of the fiscal year"
23 and deleting the remainder of the sentence; and

24
25 On page 69, lines 46-47,
26 by inserting a period immediately after the phrase "shall not revert at the end of the fiscal year"
27 and deleting the remainder of the sentence; and

28
29 On page 69, line 49,
30 by rewriting that line to read:

31 "Section 11.3(e) Unless provided otherwise, this section becomes effective July 1, 2015, and
32 applies to"



* H 9 7 - A L H - 1 5 - V - 1 2 *

NORTH CAROLINA GENERAL ASSEMBLY

AMENDMENT

House Bill 97

AMENDMENT NO. _____

(to be filled in by

Principal Clerk)

H97-ALH-15 [v.12]

Page 2 of 2

1
2 On page 78, lines 3 - 4,

3 by rewriting those lines to read:

4 "SECTION 11.9.(n) Beginning with the 2016-2017 fiscal year, of the funds
5 appropriated for this program, the sum of nine million dollars (\$9,000,000) shall be allocated each
6 fiscal year to the State Education Assistance"; and
7

8 On page 85, line 13,

9 by deleting the period at the end of that line and adding the following: "and each subsequent
10 school year." ; and
11

12 Moves to amend the N.C. House of Representatives Appropriations Committee Report on the
13 Continuation, Expansion and Capital Budgets for House Bill 97 dated May 19, 2015 as follows:
14

15 On page F-8, Item 44, and on page F-11, Item 63,

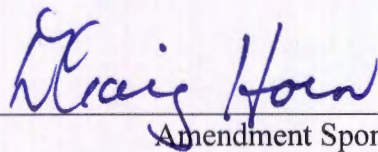
16 by adding at the end of the descriptive language for each of those items another sentence to
17 read:

18 "Also eliminates the Yellow Ribbon Reserve appropriated in FY 2014-15."; and
19

20 On page F-11, Item 61,

21 by deleting the phrase "Cone Health Cardiovascular Physician Management Company, Inc."
22 and substituting "Cone Health." .
23

SIGNED



Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED



very poor



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 81
(to be filled in by
Principal Clerk)

Page 1 of 1

H97-AMK-27 [v.1]

Amends Title [NO]
PCS30383-LRxf-11

Date _____, 2015

Representative Glazier

1 moves to amend the bill on page 43, line 23, by deleting the word "measurable".
2
3

SIGNED

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

FAILED

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NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 73
(to be filled in by
Principal Clerk)

Page 1 of 1

H97-ALL-14 [v.1]

Amends Title [NO]
H97-PCS30383-LRxf-11

Date _____, 2015

Representative Glazier

- 1 moves to amend the bill on page 203, line 48,
2 by inserting between the period and the quotation mark the following:
3
4 "This section does not apply to petitions for a certificate of relief filed by an indigent."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 74
(to be filled in by
Principal Clerk)

Page 1 of 1

H97-ALL-15 [v.1]

Amends Title [NO]
H97-PCS30383-LRxf-11

Date _____, 2015

Representative R. Turner

moves to amend the bill on page 275, line 50,
by inserting on that line the following:

"SECTION 30.3.(j) Salary reserves generated by the clerk of superior court offices during the 2015-2016 fiscal year shall be used exclusively by the clerks of superior court. The clerks of superior court may use these funds to award salary increases in addition to those specifically provided for deputy and assistant clerks under the respective salary plans. Any additional increases may be awarded at the discretion of each elected clerk of superior court. The Administrative Office of the Courts shall (i) allocate funds for additional discretionary salary adjustments on a per capita basis and (ii) adopt a plan for distribution of the funds in consultation with the Conference of Clerks of Superior Court."

SIGNED

Rena Turner
Amendment Sponsor

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

FAILED

TABLED





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 77
(to be filled in by
Principal Clerk)

H97-AMD-20 [v.2]

Page 1 of 1

Amends Title [NO]
H97-PCS30383-LRxf-11

Date 2015

Representative Lewis

1 moves to amend the PCS on Page 227, Line 44 through Page 228, Line 10, by deleting the lines
2 and substituting the following:

3 "(i) Expedited Sale of Seized Motor Vehicles in Certain Cases. – In order to avoid
4 additional liability for towing and storage costs pending resolution of the criminal proceedings
5 of the defendant, the State Surplus Property Agency or county board of education may, after
6 expiration of 90 days from the date of seizure, sell any motor vehicle having a fair market value
7 of one thousand five hundred dollars (\$1,500) or less. The county board of education may also
8 sell a motor vehicle, regardless of the fair market value, any time the outstanding towing and
9 storage costs exceed eighty-five percent (85%) of the fair market value of the vehicle, or with
10 the consent of all the motor vehicle owners. Any sale conducted pursuant to this subsection
11 shall be conducted in accordance with the provisions of G.S. 20-28.5(a), G.S. 20-28.5(a) or G.S.
12 20-28.5(a1), as applicable, and the proceeds of the sale, after the payment of outstanding
13 ~~towing and storage~~ towing, storage, and other costs or reimbursement of towing and storage
14 costs paid by a person other than the defendant, shall be deposited with the clerk of superior
15 court. If an order of forfeiture is entered by the court, the court shall order the proceeds held by
16 the clerk to be disbursed as provided in G.S. 20-28.5(b). If the court determines that the motor
17 vehicle is not subject to forfeiture, the court shall order the proceeds held by the clerk to be
18 disbursed first to pay the sale, towing, and storage costs, second to pay outstanding liens on the
19 motor vehicle, and the balance to be paid to the motor vehicle owners."

SIGNED

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED



* H 9 7 - A M D - 2 0 - V - 2 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 82
(to be filled in by
Principal Clerk)

Page 1 of 2

H97-ALG-9 [v.14]

Amends Title [NO]
PCS30383-LRxf-11

Date _____, 2015

Representative Cleveland

moves to amend the House of Representatives Appropriations Committee Report on the Base, Expansion and Capital Budgets, dated May 19, 2015,

On page J4, Item 14, by rewriting the first line of the description to read:
"Transfers the Veteran's Home Program, including 8.80 FTEs, from the Department of" and by
deleting the figure "8.80" for each fiscal year; and

On page J8, Item 49, by deleting "49" and substituting "19" and by renumbering the remaining Items accordingly; and

On page J9, Item 19, by deleting the phrase in the description "will be work" and substituting "will work" and by deleting the figure "1.00" for each fiscal year; and

On page J23, Item 38, by deleting in the description the word "Services" and substituting "Affairs" and by deleting the figure "-8.80" for each fiscal year; and

On page J26, by deleting the word "Administrant" and substituting "Administration" each time it appears on that page; and

On page J30, Item 44, by deleting the figure "-8.00" for each fiscal year; and

Moves to amend the bill on page 208, line 30, by rewriting that line to read:
"PART XXIV. DEPARTMENT OF MILITARY AND VETERANS AFFAIRS".



NORTH CAROLINA GENERAL ASSEMBLY

AMENDMENT

House Bill 97

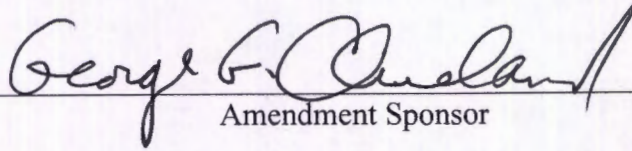
AMENDMENT NO. _____

(to be filled in by
Principal Clerk)

H97-ALG-9 [v.14]

Page 2 of 2

SIGNED


Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

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NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 84
(to be filled in by
Principal Clerk)

H97-ALM-21 [v.1]

Page 1 of 1

Amends Title [NO]
H97-PCS30383-LRxf-11

Date _____, 2015

Representative Stam

1 moves to amend the House of Representatives Appropriations Committee Money Report (May
2 (29, 2015) on page H-23, Item 87, by reducing the appropriation for that Item by \$400,000 in
3 nonrecurring funds for the 2015-2016 fiscal year;

4
5 and on page H-24 by adding a new Item to read as follows:

6 " **FY 15-16** **FY 16-17**

7 **89A Strategic Analysis of Qualified Business**

8 **Facilities** \$400,000 NR

9 Funds to be used by the Department to obtain
10 a strategic analysis of qualified business facilities
11 as specified in House Bill 108, 2015 Regular Session.";

12
13 and by adjusting the appropriate totals accordingly.
14
15
16

SIGNED

Stam

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED



* H 9 7 - A L M - 2 1 - V - 1 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 86
(to be filled in by
Principal Clerk)

H97-AMH-31 [v.2]

Page 1 of 1

Amends Title [NO]
H97-PCS30383-LRxf-11

Date 2015

Representative West

1 moves to amend the bill on page 164, line 8, by inserting after that line the following language,
2 to read:

3 **"MILITARY BUFFERS**

4 **SECTION 14.17.(a)** The funds appropriated in this act to the Clean Water
5 Management Trust Fund for the purpose of military buffers shall only be expended on the
6 acquisition of buffers adjacent to the property boundary of a military installation or directly
7 adjacent to a public road, railroad, creek, or river that forms the property boundary of a military
8 installation.

9 **SECTION 14.17.(b)** For purposes of this section, "military installation" means
10 means Fort Bragg, Pope Army Airfield, Camp Lejeune Marine Corps Air Base, New River
11 Marine Corps Air Station, Cherry Point Marine Corps Air Station, Military Ocean Terminal at
12 Sunny Point, the United States Coast Guard Air Station at Elizabeth City, Naval Support
13 Activity Northwest Annex, Air Route Surveillance Radar (ARSR-4) at Fort Fisher, and
14 Seymour Johnson Air Force Base, in its own right and as the responsible entity for the Dare
15 County Bombing Range.".

SIGNED

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

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* H 9 7 - A M H - 3 1 - V - 2 *





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 88
(to be filled in by
Principal Clerk)

H97-ALE-24 [v.1]

Page 1 of 1

Amends Title [NO]
PCS

Date 2015

Representative Horn

- 1 moves to amend the money report on page F 2, Item 9, by rewriting the last sentence of the
2 item to read:
3 "The State Board of Education shall contract with the Friday Institute to support both of these
4 activities."
5
6

SIGNED

Mary Horn

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



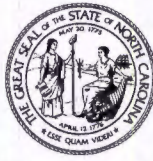
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1/20/20



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 91
(to be filled in by
Principal Clerk)

H97-AMH-28 [v.3]

Page 1 of 1

Amends Title [NO]
H97-PCS30383-LRxf-11

Date 2015

Representative Holloway

- 1 moves to amend the bill on page 156, line 48, by inserting after that line the following new
2 provision:
3 "CAMP SERTOMA FUNDS
4 **SECTION 14.12A.** Of the twelve million five hundred thousand dollars (\$12,500,000) in
5 nonrecurring funds appropriated in this act for the Parks and Recreation Trust Fund, the sum of
6 one hundred thousand dollars (\$100,000) shall be reserved for renovations at Camp Sertoma in
7 fiscal year 2015-2016."

SIGNED

Bryan N. Holloway
Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED



* H 9 7 - A M H - 2 8 - V - 3 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO.
(to be filled in by
Principal Clerk)

Page 1 of 2

H97-ATR-13 [v.1]

Amends Title [NO]
PCS

Date _____, 2015

Representative Avila

moves to amend the PCS on page 120, lines 35 and 36, by inserting between the lines a new subsection to read:

"SECTION 12G.1(a1). The Department shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services by March 1, 2016 containing at least the following information:

- (1) The number of licensed home care agencies in the State.
- (2) The capacity of the currently licensed home care agencies to serve people in need of their services.
- (3) The anticipated growth in the number of people who will need the services of a licensed home care agency.
- (4) The number of applications received from home care agencies seeking licensure as permitted by this section, and the number of those applications that were not approved."; and

moves to amend the PCS on page 121, lines 6 and 7, by inserting between the lines a new subsection to read:

"SECTION 12G.2(a1). The Department shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services by March 1, 2016 containing at least the following information:

- (1) The number of licensed special care units in the State.
- (2) The capacity of the currently licensed special care units to serve people in need of their services.
- (3) The anticipated growth in the number of people who will need the services of a licensed special care unit.
- (4) The number of applications received from special care units seeking licensure as permitted by this section, and the number of those applications that were not approved."



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

H97-ATR-13 [v.1]

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

Page 2 of 2

SIGNED *Maisha Dila*
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 95

(to be filled in by
Principal Clerk)

H97-AMD-25 [v.2]

Page 1 of 1

Amends Title [NO]
H97-PCS30383-LRxf-11

Date 2015

Representative Whitmire

1 moves to amend the PCS on Page 294, Lines 17-18, by inserting between the lines the
2 following:

3 "SECTION 31.8.(c) Notwithstanding subsection (a) of this section, the sum of two
4 hundred fifty thousand dollars (\$250,000) of the funds allocated in Section 31.2(a) of this act
5 for armory and facility development projects in the 2015-2016 fiscal year shall be used to
6 provide a State match to federal funds for planning and construction of a North Carolina
7 National Guard facility to be located within the 420 acres surrounding the latitude and
8 longitude point 35°11.0994'N – 082°37.1166'W. The Department shall consult with the North
9 Carolina National Guard in the design and site selection of the facility. Funds allocated
10 pursuant to this subsection shall not revert at the end of the 2015-2016 fiscal year, but shall be
11 retained by the Department until the facility is completed or June 30, 2020, whichever first
12 occurs."; and

13
14 moves to adjust the appropriate totals accordingly.

SIGNED

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

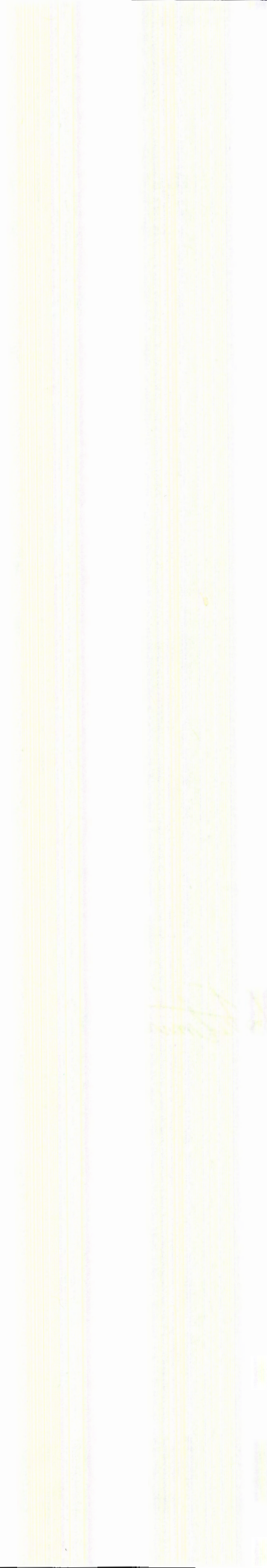


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NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 100
(to be filled in by
Principal Clerk)

H97-AMK-26 [v.2]

Page 1 of 2

Amends Title [NO]
PCS30383-LRxf-11

Date 2015

Representative Brody

1 moves to amend the bill on page 67, lines 31-37, by rewriting those lines to read:

2
3 "SECTION 10.9.(d) Of the funds appropriated under this act to the Community
4 Colleges System Office for the 2015-2017 fiscal biennium to implement the requirements of
5 this section, the System Office may use up to one hundred thousand dollars (\$100,000) of those
6 funds each fiscal year for administration and evaluation of the pilot program."; and

7
8 on page 67, lines 49-50, by inserting between those lines a new section to read:

9
10 **"YOUTH CAREER CONNECT PROGRAM**

11 **SECTION 10.11.(a)** The federal Youth Career Connect Grant awarded to Anson
12 County Schools for 2014-2018 requires students to enroll in community college courses in the
13 ninth and tenth grades. Notwithstanding any other provision of law, South Piedmont
14 Community College may enroll Anson County Schools freshman (ninth grade) and sophomore
15 (tenth grade) students in community college courses associated with this grant. Ninth and tenth
16 grade students enrolled in curriculum courses at South Piedmont Community College
17 associated with the federal Youth Career Connect Grant shall not be charged tuition.

18 **SECTION 10.11.(b)** South Piedmont Community College shall earn budget FTE
19 for student course enrollments provided in this act.

20 **SECTION 10.11.(c)** This section is effective when the act becomes law and
21 expires June 30, 2018."; and

22
23 moves to amend the N.C. House of Representatives Appropriations Committee Report for
24 House Bill 97, dated May 19, 2015, as follows:

25
26 on page F7, item 41, by decreasing the amount for FY 2015-2016 by \$140,000; and

27
28 on page F8, by adding a new item after item 43 to read:

29
30 **"43A Youth Career Connect Program** **\$140,000 NR**
31 Funds budget FTE earned by Anson County
32 Schools freshman and sophomore students



* H 9 7 - A M K - 2 6 - V - 2 *

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

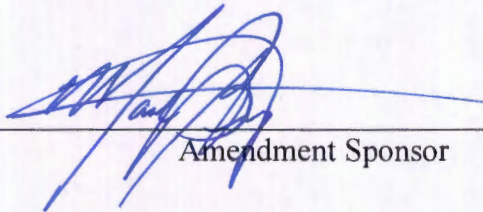
AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H97-AMK-26 [v.2]

Page 2 of 2

- 1 participating in the Youth Career Connect
2 program at South Piedmont Community
3 College. These FTE will be incorporated into
4 regular enrollment growth adjustments in future years."
5

SIGNED _____



Amendment Sponsor

SIGNED _____

Committee Chair if Senate Committee Amendment

ADOPTED _____



FAILED _____

TABLED _____



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 102
(to be filled in by
Principal Clerk)

Page 1 of 1

H97-AML-21 [v.11]

Amends Title [NO]
H97-PCS30383-LRxf-11

Date _____, 2015

Representative Torbett

1 moves to amend the PCS on page 244, lines 15-17, by rewriting the lines to read:
2 ""(c) Notwithstanding any other provision of law, the Department shall reduce the
3 amount of funds expended per project for the acquisition of right-of-ways by three percent
4 (3%)."".

SIGNED

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

FAILED

TABLED





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 103
(to be filled in by
Principal Clerk)

Page 1 of 2

H97-AMK-28 [v.7]

Amends Title [NO]
PCS30383-LRxf-11

Date _____, 2015

Representative Blackwell

moves to amend the bill on page 34, line 36-39, by rewriting those lines to read:

"under this act to provide grant funding to participants for the development of charter schools to be located in counties that have no more than one charter school. State funds shall only be used to provide grants to applicants participating in the"; and

on page 34, line 41, through page 35, line 5, by rewriting those lines to read:

"SECTION 8.15.(b) PEFNC shall provide grants to grant recipients participating in the program as follows:

- (1) An entity seeking to develop a charter school application for approval by the State Board of Education may receive a grant of up to one hundred thousand dollars (\$100,000) to support the development of the charter application. If the charter school is approved by the State Board, second year funding may be provided to support the charter school during its initial planning year.
- (2) A charter school approved by the State Board of Education, but that has not begun operation, may receive a one-year grant of up to one hundred thousand dollars (\$100,000) for its initial planning year.

SECTION 8.15.(c) Beginning in 2016-2017, the State funds made available to PEFNC under this act that are used as grants for initial planning years for the participants shall be matched on the basis of one dollar (\$1.00) in grant funds for every one dollar (\$1.00) in nongrant funds. Matching funds may be provided by PEFNC or a grant recipient in its second year of operation as a charter school. Matching funds shall not include other State funds and may include in-kind contributions.

SECTION 8.15.(d) Grant recipients shall be subject to audit oversight by the State Auditor.

SECTION 8.15.(e) By March 15, 2016, and annually thereafter, PEFNC shall submit to the Joint Legislative Education Oversight Committee a report on the progress of the program, an accounting of expenditures, source and amount of matching funds, and the status of grant recipients."



NORTH CAROLINA GENERAL ASSEMBLY

AMENDMENT

House Bill 97

H97-AMK-28 [v.7]

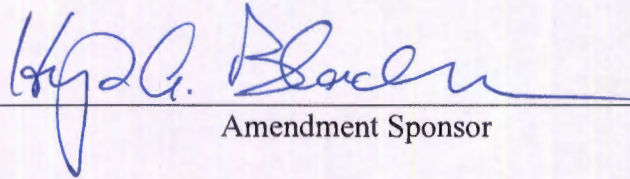
AMENDMENT NO. _____

(to be filled in by
Principal Clerk)

Page 2 of 2

1
2

SIGNED



Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 104
(to be filled in by
Principal Clerk)

H97-ALH-19 [v.7]

Page 1 of 2

Amends Title [NO]
PCS 30383-LRxf-11

Date 2015

Representative Whitmire

- 1 moves to amend the NC House of Representatives Appropriations Committee Report on the
2 Base, Expansion and Capital Budgets dated May 19, 2015, as follows:
3
4 On page F-3, Item 14 (Regional Leadership Academies) by reducing the amount for FY 2015-
5 2016 by \$100,000 NR; and
6
7 On page F-3, Item 13 (School Safety-Instructional Support Personnel) by reducing the amount
8 for FY 2015-2016 by \$100,000 R and the amount for FY 2016-2017 by \$200,000 R. ; and
9
10 On page F-11, by adding the following new item:
11 **"69 National Guard Tuition Assistance Program**
12 Increases funding for the National Guard Tuition Assistance \$200,000 NR \$200,000 R
13 Program, which provides financial aid to active members of
14 the North Carolina Army or Air National Guard. The new
15 State appropriation for the program for FY 2015-16 and
16 FY 2016-17 will be \$2,112,815." ; and
17
18 by adjusting the appropriate totals accordingly.
19
20
21
22
23



* H 9 7 - A L H - 1 9 - V - 7 *

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

H97-ALH-19 [v.7]

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

Page 2 of 2

SIGNED

Chris Stutts

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED



FAILED

TABLED



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 12
(to be filled in by
Principal Clerk)

H97-AML-17 [v.2]

Page 1 of 1

Amends Title [NO]
H97-PCS30383-LRxf-11

Date 2015

Representative G. Martin

- 1 moves to amend the PCS on page 239, lines 34-39, by rewriting those lines to read:
2 "SECTION 29.3.(a) The Prioritization 4.0 Workgroup, established in accordance
3 with G.S. 136-189.11(h), shall (i) include peak average daily traffic data in the Congestion
4 formula, (ii) expand consideration in Multimodal formula given to projects abutting a
5 multimodal terminal to include projects within a certain proximity of a multimodal terminal,
6 and (iii) include the improvement of hurricane and nuclear power plant evacuation routes and
7 procedures in the Safety formula."

SIGNED

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

FAILED



TABLED



* H 9 7 - A M L - 1 7 - V - 2 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 13
(to be filled in by
Principal Clerk)

H97-AML-20 [v.2]

Page 1 of 1

Amends Title [NO]
H97-PCS30383-LRx-f-11

Date 2015

Representative G. Martin

- 1 moves to amend the PCS on page 250, lines 1-2, by rewriting the lines to read:
2 "law to the contrary, the Department shall, to the extent practicable, allocate these funds to each
3 county in this State based on pavement condition scores formulated by the Department."

SIGNED

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

FAILED



TABLED



* H 9 7 - A M L - 2 0 - V - 2 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 91
(to be filled in by
Principal Clerk)

Page 1 of 2

H97-AMK-22 [v.3]

Amends Title [NO]
PCS30383-LRxf-11

Date _____, 2015

Representative B. Brown

moves to amend the N.C. House of Representatives Appropriations Committee Report for House Bill 97, dated May 19, 2015, as follows:

On page F10, item 53, by deleting that item; and

On page F2, item 7, by decreasing the amounts for FY 2015-2016 and FY 2016-2017 by \$2,000,000 in recurring funds; and

On page F2, item 8, by decreasing the amounts for FY 2015-2016 and FY 2016-2017 by \$1,000,000; and

On page F2, item 9, by decreasing the amounts for FY 2015-2016 and FY 2016-2017 by \$1,000,000, and by rewriting the description of that item to read:

"Provides funding to support aspects of the State's Digital Learning Plan. \$3.5 million is allocated to establish regional support organizations to provide regionally-based technology support services to LEAs. \$4.5 million is allocated to support professional development activities for education leaders in each LEA, including those responsible for leading digital learning initiatives, and coaching and support for teachers transitioning to digital learning practices in the classroom. The State Board of Education shall contract with the Friday Institute to administer both of these activities."

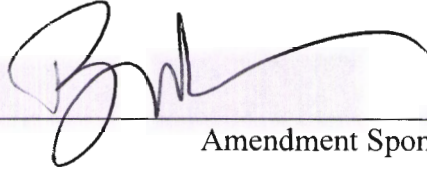
NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H97-AMK-22 [v.3]

Page 2 of 2

SIGNED



Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

FAILED



TABLED



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 61
(to be filled in by
Principal Clerk)

H97-AMC-56 [v.1]

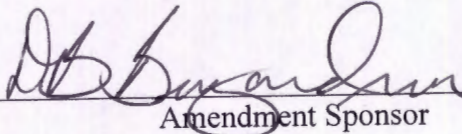
Page 1 of 1

Amends Title [NO]
H97-30383-LRxf-11

Date 2015

Representative Bumgardner

- 1 moves to amend the bill on page 239, line 33, to page 242, line 38, by deleting the lines.

SIGNED 
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED ☒ TABLED _____



* H 9 7 - A M C - 5 6 - V - 1 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 66
(to be filled in by
Principal Clerk)

H97-AML-13 [v.4]

Page 1 of 1

Amends Title [NO]
H97-PCS30383-LRxf-11

Date _____, 2015

Representative Baskerville

1 moves to amend the Money Report on page K2, item 13, by increasing the amount of that item
2 for the 2015-2016 and 2016-2017 fiscal years by \$750,000 in nonrecurring funds; and
3
4 moves to amend the Money Report on page K2, item 13, by deleting the words "\$2 million" in
5 the second sentence of the item description and substituting the words "\$2.75 million"; and
6
7 moves to amend the Money Report on page K2, item 16, by reducing the amount of that item
8 for the 2015-2016 and 2016-2017 fiscal years by \$750,000; and
9
10 moves to amend the appropriate totals accordingly.

SIGNED

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

FAILED

TABLED





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 67
(to be filled in by
Principal Clerk)

H97-AMQ-7 [v.1]

Page 1 of 1

Amends Title [NO]
PCS-CSLRxf-11

Date 5/19/, 2015

Representative Richardson

- 1 moves to amend the bill on page 231, lines 1 through 8, by deleting those lines; and
2
3 further moves to amend the House of Representatives Appropriations Committee Report on the
4 Base, Expansion and Capital Budgets, dated May 19, 2015,
5
6 On page J30, Item 44, by removing that Item;
7
8 And further by adjusting the appropriate totals accordingly.

SIGNED

Bobbie Richardson
Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

FAILED

☒

TABLED



* H 9 7 - A M Q - 7 - V - 1 *





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 92
(to be filled in by
Principal Clerk)

H97-AMH-29 [v.3]

Page 1 of 1

Amends Title [NO]
H97-PCS30383-LRxf-11

Date 2015

Representative Holloway

1 moves to amend the House of Representatives Appropriations Committee Report on the
2 Continuation, Expansion and Capital Budgets, dated May 19, 2015, on page H-11, by adding a
3 new item to read:

4
5 **"61A Cape Fear Water Development Project (1990) \$2,500,000 NR**
6 Provides nonrecurring funding to the City of Wilmington for the Cape Fear Water
7 Development Project.";

8
9 and on page H-9, item 41, by reducing the nonrecurring funds for that item by \$1,500,000 in
10 fiscal year 2015-2016, and by rewriting the item description to reduce the total funding
11 referenced in the description by \$1,500,000;

12
13 and on page H-11, item 59, by reducing the nonrecurring funds for that item by \$1,000,000 in
14 fiscal year 2015-2016 and by rewriting the second sentence of the item description to reduce
15 the total state grant funding referenced in the description by \$1,000,000.

SIGNED

Benjamin D. Holloway
Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

FAILED



TABLED



* H 9 7 - A M H - 2 9 - V - 3 *



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 96
(to be filled in by
Principal Clerk)

H97-AMD-24 [v.4]

Page 1 of 2

Amends Title [NO]
H97-PCS30383-LRxf-11

Date 2015

Representative Pittman

1 moves to amend the PCS on Page 287, Line 51, by reducing the amount by twenty-five
2 thousand dollars (\$25,000); and

3
4 on Page 288, Line 6, by reducing the amount by fifty thousand dollars (\$50,000); and

5
6 on Page 288, Line 12, by reducing the amount for the 2015-2016 fiscal year by five thousand
7 dollars (\$5,000); and

8
9 on Page 288, Lines 12 and 13, by inserting between the lines the following:

10 "Stonewall Jackson YDC Fencing 200,000 -"; and

11
12 on Page 288, Line 19, by reducing the amount by fifty thousand dollars (\$50,000); and

13
14 on Page 288, Line 20, by reducing the amount by fifty thousand dollars (\$50,000); and

15
16 on Page 288, Line 21, by reducing the amount by twenty thousand dollars (\$20,000); and

17
18 on Page 289, Line 13, by reducing the amount by fifty thousand dollars (\$50,000); and

19
20 on Page 289, Lines 20 and 21, by reducing the amount by fifty thousand dollars (\$50,000); and

21
22 on Page 304, Line 13, by reducing the amount by twenty thousand dollars (\$20,000); and

23
24 moves to amend the Committee Report on Page M-1, Item 1, by reducing the amount by
25 twenty-five thousand (\$25,000); and

26
27 on Page M-1, Item 3, by reducing the amount by fifty thousand dollars (\$50,000); and

28
29 on Page M-1, Item 5, by reducing the amount for the 2015-2016 fiscal year by five thousand
30 dollars (\$5,000); and

31
32 on Page M-1, by inserting a new item to read:



* H 9 7 - A M D - 2 4 - V - 4 *

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

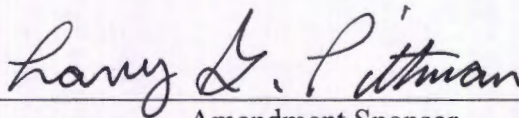
AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H97-AMD-24 [v.4]

Page 2 of 2

- 1 **"5A Fencing for Stonewall Jackson YDC \$ 200,000 NR -"; and**
2 Provides funding for construction of fencing to
3 enclose 13 buildings at the Stonewall Jackson
4 Youth Development Center."; and
5
6 on Page M-2, Item 7, by reducing the amount by fifty thousand dollars (\$50,000); and
7
8 on Page M-2, Item 8, by reducing the amount by fifty thousand dollars (\$50,000); and
9
10 on Page M-2, Item 9, by reducing the amount by twenty thousand dollars (\$20,000); and
11
12 on Page M-2, Item 9, by deleting "\$1.6 million" in the description of that item and substituting
13 "\$1.58 million"; and
14
15 on Page M-2, Item 9, by deleting "\$800,000" in the description of that item and substituting
16 "\$820,000"; and
17
18 moves to adjust the appropriate totals accordingly.

SIGNED



Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

FAILED



TABLED



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 97

AMENDMENT NO. 98
(to be filled in by
Principal Clerk)

H97-AML-29 [v.4]

Page 1 of 1

Amends Title [NO]
H97-PCS30383-LRxf-11

Date 2015

Representative Burr

1 moves to amend the PCS on page 5, line 31, by deleting the line; and


2
3 moves to amend the PCS on page 6, line 5, by reducing the amount for the 2015-2016 fiscal
4 year by three million seven hundred thousand dollars (\$3,700,000) and by reducing the amount
5 for the 2016-2017 fiscal year by three million seven hundred thousand dollars (\$3,700,000);
6 and

7
8 moves to amend the PCS on page 7, line 16, by reducing the amount for the 2015-2016 fiscal
9 year by three million seven hundred thousand dollars (\$3,700,000) and by reducing the amount
10 for the 2016-2017 fiscal year by three million seven hundred thousand dollars (\$3,700,000);
11 and

12
13 moves to amend the Money Report on page K3, item 25, by deleting the item; and

14
15 moves to amend the appropriate totals accordingly.

SIGNED


Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

FAILED



TABLED



* H 9 7 - A M L - 2 9 - V - 4 *

NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE REPORT

Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

FAVORABLE COM SUB NO. 2, UNFAVORABLE COM SUB NO. 1 AND RE-REFERRED

HB 97 (CS#1)

2015 Appropriations Act.

Draft Number: H97-PCS30386-LRxf-12

Serial Referral: PENSIONS AND RETIREMENT

Recommended Referral: None

Long Title Amended: No

Floor Manager: Dollar

TOTAL REPORTED: 1



* C M R 3 7 0 - V - 1 *



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

5/19/2015
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Jonathan Kappler	UNC GA
Betty Doske	UNC Charlotte
Walter Galt	UNC
Susan McCracken	Appalachian State University
Michelle Brooks	ECU
Lanier Swann Hodges	UNC Health Care
Meredith Whitfield	WCU
Tom Marge	NEAOC
Harry E. [Signature]	MWC
Steve Marge	NCRLA
E. Lee	NC DPI



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

5-19-2015

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Boylkin Lucas	NCCM
Sarah Beles	Brubaker C Assoc
Jonathan Brubaker	Brubaker C. ASSOC
Hayden Baughes	FSP
Fred Bone	Bone : Asso
Reggie Holley	The Longmire Group
Wiel Pany-Hen	NCHFA
Jamie Long Young	NCEL
Alan Briggs	NC Food Banks
John Bode	BWA



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

5-19-2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Sarah McQuillan	SSG-NC
J. Peters	CSS
Judy Jenkins	Otsuka
Janet Peters	CSS
Brooks Rainey Pearson	SELC
May Mader Ashill	SELC
Barbara Moore	Conf of Clerks of SCOT
Jan Kennedy	CSC New Hanover Co
Annaliese Dolph	BL
Mark Gross	NCLC
Jamara Pfister	CHS



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

5-19-2015

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Rison Menzies	WM
Jennifer Mahan	ASNC
Don Holm	TCE
Julie Kowal	BEST NC
Brenda Berg	BEST NC
Amanda Braker	TSS
Torua Horton	TSS
MAS Troy M. Fawcett	NC NG
Laura Gunter	NLBIO
ERRY COHEN	Nelson Mullins
Edgar Madsen	CTNC
Jonathan Hill	CTNC
Marge Foreman	NCAE



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

5-19-2015

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Lao Ruben	CJPC
Tom West	NCICU
Sue Ann Forrest	NCICU
Bubba White	New Frame LLC
Bruce Midway	NCSBA
Mildred Spearman	NCAOC
Eller	MWC
Dave Horn	Smith Anderson
Drew Moretz	UNCGA
Mary Shaping	NCCCS
Andrea Piche	UNCGA



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

5/19/2015

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Flint Benson	SEANC
Ardis Watkins	SEANC
Suzanne Beasley	SEANC
JW Joyner	NEW FRAME
Rachel Beale	NCDP
Paul H. Johnson	HTGAC
JD/MR	DST
WATTS	DST



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

5-19-2015

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Shelly Jones	NC DDC
Martha Jenkins	DCR
Tony Adams	Adams & Assoc.
Kara Weishaar	SA
Colleen Kochanek	KLC
Jennifer Casperini	NCMS
Joanna Spivill	NCAFP
Cathy Thomas	Focus Consulting, LLC
Wendy Kelly	"
Isabel Villa-Garcia	NCAR
Sean Valle	MVA



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

5-19-2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Jay B	MWR
Richard Thompson	WCCAT
Zachary R. Dodson	Rep. Glazier
Matthew Dockham	NCDENR
Erilyn Hawthorne	ETGR
Trent Womble	DHHS
Douglas Westbrook	NCSBA
Rhonda Todd	DoA
Hugh Johnson	CC
John Hoomani	Doc
Alice Miller	NCDoc



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

5-19-2015

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Steve Gaurin	Monmouth Science Museum
Josh Church	JA
Amanda Gannon	JA
Suzanne	NOTSEA
Phil Rusan	APC
Mike James	RCP
Joy Hils	NRDA
Meghan Cook	OITS
Walter Jones	Gordon Price
Stan Williams	NCS
Robbamy	RK



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

5-19-2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Summers	
Shy David	KLS
Crystal Collins	NC Trucking Assn.
M. Jillian D. Tolman	MWC LLC
J. GRAYEN SHERRELL	NCFTB
Andy Chase	KMA
Padraig Gibbons	Capital City
Mark Lanier	UNCW
Lee Tongue	NC PCSA
Samantha When	Manning-Fulton
Dr. Handlin	MFS
Cameron Hinely	MVA



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

5-19-2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Barbara Lee	NCRTZ
Madelaine Keeter	CaroMont Health
Nelson Freeman	NC DOR
Rodan Jones	N DOT
Payton Maynard	See
Angie	NYM
Elizabeth	BD
Chris	Boon



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

5/19/15

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Leri Morgan	NCRMA
Anne Link	CEJA
Isabel Villagracia	NCAR
Cathy Thomas	Focus Carolina
Madeline Keeter	Carrollmont Health
Sean Valle	Moore + Van Allen
Carson White	AVA
Erica Nelson	NCHA
Jennifer Casperini	NCHS
Joanna Spruill	NCAFP
Zachary Richardson	Rep. Glavin



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HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

5/19/15

Date

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FIRM OR AGENCY AND ADDRESS

Elizabeth Bisv	BD
Andy Eller	NCLM
Reston Jones	NC DOT
John Hoaman	NCTDC
Heather Horton	NCDOC
Ashley Jones	NC DOC
Nelson Freeman	NC DOR
Alice Miller	NCDAC
Matthew Dockham	NE DENR
Beth Knott	N.C. DENR
Janae Moore	AT&T



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Jonathan Hill	CTNC
Jennifer Haigwood	NCDOL
Sarah Kance	NCDOL
Joy Hirsch	NZDA
Meghan Cook	OITS
Walter Jones	Good force
Kara Weishaar	SA
Ruian memald	WM
Phyllis	MWC
Rob Hamme	RLA
Richard Thompson	NCCA T



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Katherine Joyce	NCAAA
Adam Pridemore	NCAAA
Fred Steen	Gov's office
Luke Bunn	Gov's office
Chy J. Nino	Gov's Office
ANDY WALSH	SMITH ANDERSON
Michelle Frazier	MFTS
Susan Vicki	Duke Energy
Jenica Hughes	NCCADV
Chris McClure	BO
Phoebe Landen	Brooks Pierce



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Sarah Bales	Brubaker & Assoc.
Samantha Cohen	Manning-Fulton
John Hamer	MFS
Tommy Swice	MWA
Garrett Daniel	Cintas
Steve Lauri	Shawmont Science Museum
Josh Ehrlich	JDA
Amanda Syron	"
Rosa Turner	NCDTSEA
Janison Ditt	NCBA
Ha Nguyen	NCCOB



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Rhonda Todd	DOA
CARR McLamb	TSS
Colleen Kocharek	ICLG
Joe Ableidinger	Public School Forum of NC
Allison Hawkins	Public School Forum of NC
J. GRATER SHERZILL	NCFB
Alex Miller	ICLG
Faye Mozys	NCDMV
Mam Jernigan	NC DOT
Bill RUSTIN	ACF
Doug Helbert	NCSBA



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Trey Rabin	AT&T
Ann Rodriguez	NC Council of Comm. Programs
Lisa Martin] Cap. Ad
Theresa K.	
Trent Womble	DHHS
Brenda Berg	BEST NC
Leanne Kinnel	NCSBA



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Judy Jenkins	Otsuka
J Peters	CSS
Pam Cashwell	SEC
Songz Zell	SEC
TOM ROWLIN	NC NAT. GUARD
Jarret Burr	NC DPS
Ryan Conbs	NC DPS
Annaliese Dolph	DL
Jamaica Pfister	CHS
Math Gross	NCPC
Charan Mohan	DST
Emily Ellis	DST



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FIRM OR AGENCY AND ADDRESS

Michelle Brooks	East Carolina University
Susan McCracke	Appalachian State
Jim Willis	UNC-CH
Betty Doster	UNC Charlotte
Jonathan Keppler	UNC GH
Andrea Pale	//
Maggie Shupers	NCCCS
Drew Moretz	UNC GH
Courtney Lockamy	Randolph Cloud & Ass.
Will Morgan	TNC
M. Beam	RHMC



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FIRM OR AGENCY AND ADDRESS

Bruce Mildner	NCSBA
Tonya Horton	TSS
Amanda Horner	TSS
Bubba White	New Frame LLC
Sue Ann Forrest	NCICU
Tom West	NCICU
Alan Briggs	NL Food Banks
[Signature]	MWC
Leo Ruben	CJPE



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FIRM OR AGENCY AND ADDRESS

Tony M Zwaren	City of Winc
Sarah McDulla	SSG NC
Julia Marie Adams Schaurch	Are HQ, ASNC, HARP, NCARF
Amber Cassidy	ASNC
Jennifer Mahan	ASNC
Andy Chase	KMA
James King Ferguson	NCEL
Bre Kager	NCEL
Boykin Lucas	NCCN
Johanna Reese	NCACC
Hugh Johnson	NCACC



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SAN SKIDDER	NCAAC
BO HEATH	McGuire Woods
VOL PROCOPIO	WILL
LARRY PRESNELL JR.	NCRSP
DICK CARTER	Law of York
FRED BORN	Born & Assn.
BARBARA MOORE	Conf & Clarke 9.5/14
JAN KENNEDY	New Hanover PSC
MILDRED SPEARMAN	NCAAC
MICHAEL HUGHELIAN	NCMMC
FLINT BENSON	SEANC
DAVID COLLINS	SEANC



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5-19-2015

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FIRM OR AGENCY AND ADDRESS

U.W. Joyner	New Frame
Rachel Beale	NCDPI
P. H. Adams	HTGAC
S. H. R.	DST
FRIDMAN	DST
WATTS	DST
Maithra Jenkins	DCR
E. Lee	NCDPI
Steve Mange	NCRLA
Kay Castillo	NASW-NC
Harry Kyle	MVC



GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2015

H

D

HOUSE BILL 97
PROPOSED COMMITTEE SUBSTITUTE H97-PCS30383-LRxf-11

Short Title: 2015 Appropriations Act.

(Public)

Sponsors:

Referred to:

February 24, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS
3 OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER
4 PURPOSES.

5 The General Assembly of North Carolina enacts:

6
7 **PART I. INTRODUCTION AND TITLE OF ACT**

8
9 **TITLE OF ACT**

10 **SECTION 1.1.** This act shall be known as the "Current Operations and Capital
11 Improvements Appropriations Act of 2015."

12
13 **INTRODUCTION**

14 **SECTION 1.2.** The appropriations made in this act are for maximum amounts
15 necessary to provide the services and accomplish the purposes described in the budget. Savings
16 shall be effected where the total amounts appropriated are not required to perform these
17 services and accomplish these purposes and, except as allowed by the State Budget Act or this
18 act, the savings shall revert to the appropriate fund at the end of each fiscal year.

19
20 **PART II. CURRENT OPERATIONS AND EXPANSION GENERAL FUND**

21
22 **CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

23 **SECTION 2.1.** Appropriations from the General Fund of the State for the
24 maintenance of the State's departments, institutions, and agencies, and for other purposes as
25 enumerated, are made for the fiscal biennium ending June 30, 2017, according to the following
26 schedule:

27
28

Current Operations – General Fund	FY 2015-2016	FY 2016-2017
-----------------------------------	--------------	--------------

29
30 **EDUCATION**

31
32

Community Colleges System Office	1,058,757,957	1,058,927,701
----------------------------------	---------------	---------------

33
34

Department of Public Instruction	8,374,192,255	8,455,921,850
----------------------------------	---------------	---------------

35
36

University of North Carolina – Board of Governors		
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General Assembly Of North Carolina**Session 2015**

1	Appalachian State University	127,792,024	127,785,714
2	East Carolina University		
3	Academic Affairs	210,407,112	210,407,112
4	Health Affairs	71,527,686	71,860,132
5	Elizabeth City State University	33,759,228	31,759,228
6	Fayetteville State University	48,741,530	48,741,530
7	North Carolina A & T State University	90,898,021	90,898,021
8	North Carolina Central University	82,132,848	82,132,848
9	North Carolina State University		
10	Academic Affairs	392,259,353	392,248,550
11	Agricultural Extension	38,962,927	38,595,927
12	Agricultural Research	53,099,332	53,099,332
13	University of North Carolina at Asheville	37,592,283	37,592,283
14	University of North Carolina at Chapel Hill		
15	Academic Affairs	252,603,091	252,603,091
16	Health Affairs	184,779,905	184,779,905
17	Area Health Education Centers	41,282,678	41,282,678
18	University of North Carolina at Charlotte	198,971,605	198,971,605
19	University of North Carolina at Greensboro	143,459,427	143,459,427
20	University of North Carolina at Pembroke	53,184,870	53,192,105
21	University of North Carolina School of the Arts	28,669,298	28,669,298
22	University of North Carolina at Wilmington	101,624,833	101,474,154
23	Western Carolina University	85,805,817	85,805,817
24	Winston-Salem State University	64,619,124	64,619,124
25	General Administration	37,256,706	37,256,706
26	University Institutional Programs	55,508,577	84,129,313
27	Related Educational Programs	107,968,501	107,968,501
28	North Carolina School of Science and Mathematics	19,727,381	19,728,581
29	Aid To Private Institutions	118,404,754	123,639,754
30	Total University of North Carolina –		
31	Board of Governors	2,681,038,911	2,712,700,736
32			
33	HEALTH AND HUMAN SERVICES		
34			
35	Department of Health and Human Services		
36	Division of Central Management and Support	131,904,062	118,742,467
37	Division of Aging and Adult Services	43,815,337	43,815,337
38	Division of Services for the Blind, Deaf,		
39	and Hard of Hearing	8,173,207	8,173,207
40	Division of Child Development and Early Education	224,537,700	229,784,413
41	Division of Health Service Regulation	16,105,247	16,110,674
42	Division of Medical Assistance	3,770,052,778	3,933,896,888
43	Division of Mental Health, Developmental		
44	Disabilities, and Substance Abuse Services	713,664,283	706,787,508
45	NC Health Choice	14,397,579	2,105,042
46	Division of Public Health	138,718,720	143,579,928
47	Division of Social Services	182,208,263	183,508,263
48	Division of Vocational Rehabilitation	37,752,132	37,752,132
49	Total Health and Human Services	5,281,329,308	5,424,255,859
50			
51	AGRICULTURE AND NATURAL AND ECONOMIC RESOURCES		

1			
2	Department of Agriculture and Consumer Services	116,115,234	113,176,428
3			
4	Department of Commerce		
5	Commerce	70,221,412	71,938,067
6	Commerce State-Aid	21,412,620	20,862,620
7			
8	Wildlife Resources Commission	10,250,000	10,250,000
9			
10	Department of Environment and Natural Resources	202,834,027	175,861,078
11			
12	Department of Labor	15,686,469	15,686,469
13			
14	JUSTICE AND PUBLIC SAFETY		
15			
16	Department of Public Safety	1,805,545,483	1,807,278,630
17			
18	Judicial Department	486,846,412	486,099,932
19			
20	Judicial Department – Indigent Defense	117,087,174	117,097,118
21			
22	Department of Justice	51,704,963	51,764,308
23			
24	GENERAL GOVERNMENT		
25			
26	Department of Administration	60,337,839	59,086,096
27			
28	Office of Administrative Hearings	5,116,055	5,116,055
29			
30	Department of State Auditor	11,506,244	11,506,244
31			
32	Office of State Controller	22,699,750	22,699,750
33			
34	Department of Cultural Resources		
35	Cultural Resources	76,866,046	65,236,046
36	Roanoke Island Commission	517,384	517,384
37			
38	State Board of Elections	6,503,497	6,503,497
39			
40	General Assembly	52,865,521	52,865,521
41			
42	Office of the Governor	5,557,646	5,557,646
43			
44	Office of the Governor – Special Appropriations	2,000,000	2,000,000
45			
46	Office of State Budget and Management		
47	Office of State Budget and Management	7,669,281	7,669,281
48	OSBM – Reserve for Special Appropriations	2,000,000	2,000,000
49			
50	Housing Finance Agency	29,118,739	29,118,739
51			

1	Department of Insurance	38,296,364	38,296,364
2			
3	Office of Lieutenant Governor	676,874	676,874
4			
5	Department of Military and Veterans Affairs	7,368,298	7,312,298
6			
7	Department of Revenue	79,566,755	79,604,906
8			
9	Department of Secretary of State	11,726,506	11,726,506
10			
11	Department of State Treasurer		
12	State Treasurer	9,546,198	9,546,198
13	State Treasurer – Retirement for Fire and Rescue		
14	Squad Workers	20,664,274	20,664,274
15			
16	RESERVES AND DEBT SERVICE		
17			
18	Contingency and Emergency Fund	5,000,000	5,000,000
19	Compensation Increase Reserve	361,032,321	373,803,618
20	OSHR Compensation System Update	10,000,000	10,000,000
21	State Health Plan Reserve	25,142,243	25,142,243
22	Reserve for State Retirement Contributions – All Systems	48,520,770	37,547,093
23	Reserve for Future Benefit Needs	0	71,000,000
24	Pending Legislation	10,000,000	10,000,000
25	Job Development Investment Grants (JDIG)	57,816,215	71,728,126
26	One North Carolina Fund	6,995,976	9,000,000
27	Information Technology Reserve	19,917,096	19,568,442
28	Information Technology Fund	23,723,725	22,173,996
29	Film and Entertainment Grant Fund	0	60,000,000
30	North Carolina Venture Multiplier Fund	40,000,000	0
31	Rallying Investors and Skilled Entrepreneurs for NC		
32	(Rise NC)	2,500,000	2,500,000
33	University Innovation Commercialization Grant	2,500,000	5,000,000
34	Challenge Grant for Cultural Arts Venues	10,000,000	0
35	Behavioral Health Beds Pilot	25,000,000	0
36	NCGA Litigation Reserve	300,000	0
37			
38	Debt Service		
39	General Debt Service	713,159,643	737,786,715
40	Federal Reimbursement	1,616,380	1,616,380
41			
42	TOTAL CURRENT OPERATIONS –		
43	 GENERAL FUND	22,106,849,865	22,421,391,088
44			
45			
46	GENERAL FUND AVAILABILITY STATEMENT		
47	SECTION 2.2.(a) The General Fund availability used in developing the 2015-2017		
48	fiscal biennial budget is shown below.		
49		FY 2015-2016	FY 2016-2017
50	Unappropriated Balance Remaining from Previous Year	\$2,033,330	\$138,008,344
51	Anticipated Overcollections FY 2014-2015	400,000,000	0

1	Anticipated Reversions FY 2014-2015	228,759,394	0
2	Proceeds from Sale of Dorothea Dix Property	2,000,000	0
3	Standard & Poor's Settlement Funds	19,382,143	0
4	Revenue Adjustment as per S.L. 2015-2	(1,000,000)	0
5	Less Earmarkings of Year End Fund Balance:		
6	Savings Reserve Account	(200,000,000)	0
7	Repairs and Renovations	(200,000,000)	0
8	State Emergency Response Account	(20,000,000)	0
9	Film and Entertainment Grant Fund	(60,000,000)	0
10			
11	Beginning Unreserved Fund Balance	171,174,867	138,008,344
12			
13	Revenues Based on Existing Tax Structure	20,981,400,000	21,592,400,000
14			
15	Nontax Revenues		
16	Investment Income	17,100,000	17,400,000
17	Judicial Fees	227,800,000	225,500,000
18	Disproportionate Share	139,000,000	139,000,000
19	Insurance	78,400,000	79,600,000
20	Master Settlement Agreement	137,500,000	137,500,000
21	Other Nontax Revenues	168,000,000	168,800,000
22	Highway Fund Transfer	215,900,000	215,900,000
23	Subtotal Nontax Revenues	983,700,000	983,700,000
24			
25	Total General Fund Availability	\$22,136,274,867	\$22,714,108,344
26			
27	Adjustments to Availability: 2015 Session		
28	Transfer Medicaid Contingency Reserve Funds	186,372,673	0
29	Transfer to Medicaid Contingency Reserve	(50,000,000)	(125,000,000)
30	Potential Proceeds from Sale of Dorothea Dix Property	50,000,000	0
31	Additional Highway Fund Transfer	3,700,000	3,700,000
32	Transfer from Federal Insurance Contributions Act		
33	Fund Cash Balance	4,296,802	641,628
34	Department of Justice Tobacco Settlement	2,194,000	0
35	Transfer from E-Commerce Fund Cash Balance	1,296,803	641,628
36	Adjustment of Transfer from Treasurer's Office	(188,715)	(188,715)
37	Realign Judicial Fees	25,000,000	25,000,000
38	Transfer from Statewide Misdemeanant Confinement Fund	2,898,779	0
39	Reserve for Passenger Air Carriers Refund (H.B. 117)	0	(5,500,000)
40	Sales Tax Exemption on Electricity		
41	for Qualifying Data Centers	(3,000,000)	(4,000,000)
42	Historic Preservation Tax Credit	(8,000,000)	(8,000,000)
43	Expand 1%/\$80 Rate for Mill Machinery	(3,150,000)	(6,300,000)
44	Restore Tax Deduction for Medical Expenses	(54,000,000)	(52,400,000)
45	Extend Research and Development Credit	0	(44,000,000)
46	Extend Sales Tax Preferences for Motorsports Parts and Fuel	0	(1,900,000)
47	Extend Renewable Energy Credit	0	(10,300,000)
48	Renewable Energy Safe Harbor (S.L. 2015-11)	0	(36,700,000)
49	Exempt Sales for Nonprofit Agricultural Fairs	(330,000)	(330,000)
50	Subtotal Adjustments to Availability: 2015 Session	157,090,342	(264,635,459)
51			

1	Revised General Fund Availability	22,293,365,209	22,449,472,885
2			
3	Less General Fund Appropriations	(22,155,356,865)	(22,426,478,088)
4			
5	Unappropriated Balance Remaining	\$138,008,344	\$22,994,797
6			

7 **SECTION 2.2.(b)** Including the funds transferred pursuant to G.S. 105-164.44D,
8 the sum of two hundred nineteen million six hundred thousand dollars (\$219,600,000) for each
9 year of the 2015-2017 fiscal biennium shall be transferred from the Highway Fund to the
10 General Fund.

11 **SECTION 2.2.(c)** Notwithstanding the provisions of G.S. 143C-4-3(a), the State
12 Controller shall transfer a total of two hundred million dollars (\$200,000,000) from the
13 unreserved fund balance to the Repairs and Renovations Reserve on June 30, 2015. This
14 subsection becomes effective June 30, 2015. Funds transferred under this section to the Repairs
15 and Renovations Reserve are appropriated for the 2015-2016 fiscal year and shall be used in
16 accordance with G.S. 143C-4-3.

17 **SECTION 2.2.(d)** Notwithstanding G.S. 143C-4-2, the State Controller shall
18 transfer a total of two hundred million dollars (\$200,000,000) from the unreserved fund balance
19 to the Savings Reserve Account on June 30, 2015. This transfer is not an "appropriation made
20 by law," as that phrase is used in Section 7(1) of Article V of the North Carolina Constitution.
21 This subsection becomes effective June 30, 2015.

22 **SECTION 2.2.(e)** Notwithstanding any other provision of law to the contrary,
23 effective June 30, 2015, the following amounts shall be transferred to the State Controller to be
24 deposited in the appropriate budget code as determined by the State Controller. These funds
25 shall be used to support the General Fund appropriations as specified in this act for the
26 2015-2016 fiscal year and the 2016-2017 fiscal year.

27 **SECTION 2.2.(f)** Funds reserved in the Medicaid Contingency Reserve do not
28 constitute an "appropriation made by law," as that phrase is used in Section 7(1) of Article V of
29 the North Carolina Constitution.

30	Budget Fund			FY 2015-2016	FY 2016-2017
31	Code	Code	Description	Amount	Amount
32	24100	2514	E-Commerce Fund	\$1,296,803	\$641,628
33	24500	2225	Misdemeanant Confinement Fund	2,898,779	0
34	24160	2000	NC FICA Account	4,296,802	641,628

36 PART III. CURRENT OPERATIONS/HIGHWAY FUND

38 CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

39 **SECTION 3.1.** Appropriations from the State Highway Fund for the maintenance
40 and operation of the Department of Transportation and for other purposes as enumerated are
41 made for the fiscal biennium ending June 30, 2017, according to the following schedule:

43	Current Operations – Highway Fund			FY 2015-2016	FY 2016-2017
44					
45	Department of Transportation				
46	Administration			\$ 112,626,679	\$ 90,246,679
47					
48	Division of Highways				
49	Administration			33,467,959	33,467,959
50	Construction			45,054,878	45,054,878
51	Maintenance			1,184,067,538	1,299,213,615

1	Planning and Research	0	0
2	OSHA Program	358,030	358,030
3			
4	State Aid to Municipalities	145,626,624	138,632,000
5			
6	Intermodal Divisions		
7	Ferry	41,700,395	41,000,395
8	Public Transportation	88,173,419	88,173,419
9	Aviation	23,760,952	23,760,952
10	Rail	23,651,674	23,651,674
11	Bicycle and Pedestrian	726,895	726,895
12			
13	Governor's Highway Safety	251,241	251,241
14	Division of Motor Vehicles	120,334,217	113,881,718
15			
16	Other State Agencies, Reserves, Transfers	256,231,627	289,078,561
17			
18	Capital Improvements	0	11,512,600
19			
20	Total Highway Fund Appropriations	\$ 2,076,032,128	\$ 2,199,010,616

HIGHWAY FUND/AVAILABILITY STATEMENT

SECTION 3.2. The Highway Fund availability used in developing the 2015-2017 fiscal biennial budget is shown below:

26	Highway Fund Availability Statement	FY 2015-2016	FY 2016-2017
27	Unreserved Fund Balance	\$ 0	\$ 0
28	Estimated Revenue	1,969,300,000	1,934,200,000
29	Adjustment to Revenue Availability:		
30	Motor Fuel Tax		
31	(Shallow Draft Navigation Channel Dredging Fund)	(3,332,384)	(4,331,117)
32	Motor Fuel Tax Rate Adjustment	(22,946,250)	(21,471,000)
33	Division of Motor Vehicles Fee Adjustments	133,010,762	290,612,733
34			
35	Revised Total Highway Fund Availability	\$ 2,076,032,128	\$ 2,199,010,616
36			
37	Unappropriated Balance	\$ 0	\$ 0
38			

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS**HIGHWAY TRUST FUND APPROPRIATIONS**

SECTION 4.1. Appropriations from the State Highway Trust Fund for the maintenance and operation of the Department of Transportation and for other purposes as enumerated are made for the fiscal biennium ending June 30, 2017, according to the following schedule:

47	Current Operations – Highway Trust Fund	FY 2015-2016	FY 2016-2017
48	Program Administration	\$ 35,064,813	\$ 35,064,813
49	Turnpike Authority	49,000,000	49,000,000
50	Transfer to Highway Fund	400,000	400,000
51	Debt Service	48,619,701	111,012,229

1 Strategic Prioritization Funding Plan

2 for Transportation Investments

1,069,963,212

1,010,239,345

3 **Total Highway Trust Fund Appropriations**

\$ 1,203,047,726

\$ 1,205,716,387

4 **HIGHWAY TRUST FUND AVAILABILITY STATEMENT**

5 **SECTION 4.2.** The Highway Trust Fund availability used in developing the
6 2015-2017 fiscal biennial budget is shown below:

7 **Highway Trust Fund Availability**

FY 2015-2016

FY 2016-2017

8 Unreserved Fund Balance

\$ 0

\$ 0

9 Estimated Revenue

1,215,900,000

1,221,200,000

10 Adjustment to Revenue Availability:

11 Motor Fuel Tax Rate Adjustment

(7,648,750)

(7,157,000)

12 Division of Motor Vehicles Fee Adjustments

(5,203,524)

(8,326,613)

13 **Total Highway Trust Fund Availability**

1,203,047,726

1,205,716,387

14 Unappropriated Balance

\$ 0

\$ 0

15 **PART V. OTHER APPROPRIATIONS**

16 **CASH BALANCES AND OTHER APPROPRIATIONS**

17 **SECTION 5.1.(a)** Cash balances, federal funds, departmental receipts, grants, and
18 gifts from the General Fund, Special Revenue Fund, Enterprise Fund, and Internal Service
19 Fund are appropriated for the 2015-2017 fiscal biennium as follows:

20 (1) For all budget codes listed in "The Governor's Recommended Budget, the
21 State of North Carolina 2015-2017" and in the Budget Support Document,
22 fund balances and receipts are appropriated up to the amounts specified, as
23 adjusted by the General Assembly, for the 2015-2016 fiscal year and the
24 2016-2017 fiscal year. Funds may be expended only for the programs,
25 purposes, objects, and line items or as otherwise authorized by the General
26 Assembly. Expansion budget funds listed in those documents are
27 appropriated only as otherwise provided in this act.

28 (2) Notwithstanding the provisions of subdivision (1) of this subsection:

29 a. Any receipts that are required to be used to pay debt service
30 requirements for various outstanding bond issues and certificates of
31 participation are appropriated up to the actual amounts received for
32 the 2015-2016 fiscal year and the 2016-2017 fiscal year and shall be
33 used only to pay debt service requirements.

34 b. Other funds, cash balances, and receipts of funds that meet the
35 definition issued by the Governmental Accounting Standards Board
36 of a trust or agency fund are appropriated for and in the amounts
37 required to meet the legal requirements of the trust agreement for the
38 2015-2016 fiscal year and the 2016-2017 fiscal year.

39 **SECTION 5.1.(b)** Receipts collected in a fiscal year in excess of the amounts
40 appropriated by this section shall remain unexpended and unencumbered until appropriated by
41 the General Assembly in a subsequent fiscal year, unless the expenditure of overrealized
42 receipts in the fiscal year in which the receipts were collected is authorized by the State Budget
43 Act. Overrealized receipts are appropriated up to the amounts necessary to implement this
44 subsection.

SECTION 5.1.(c) Notwithstanding subsections (a) and (b) of this section, there is appropriated from the Reserve for Reimbursements to Local Governments and Shared Tax Revenues for each fiscal year an amount equal to the amount of the distributions required by law to be made from that reserve for that fiscal year.

OTHER RECEIPTS FROM PENDING GRANT AWARDS

SECTION 5.1A.(a) Notwithstanding G.S. 143C-6-4, State agencies may, with approval of the Director of the Budget, spend funds received from grants awarded subsequent to the enactment of this act for grant awards that are for less than two million five hundred thousand dollars (\$2,500,000), do not require State matching funds, and will not be used for a capital project. State agencies shall report to the Joint Legislative Commission on Governmental Operations within 30 days of receipt of such funds.

State agencies may spend all other funds from grants awarded after the enactment of this act only with approval of the Director of the Budget and after consultation with the Joint Legislative Commission on Governmental Operations.

SECTION 5.1A.(b) The Office of State Budget and Management shall work with the recipient State agencies to budget grant awards according to the annual program needs and within the parameters of the respective granting entities. Depending on the nature of the award, additional State personnel may be employed on a time-limited basis. Funds received from such grants are hereby appropriated and shall be incorporated into the authorized budget of the recipient State agency.

SECTION 5.1A.(c) Notwithstanding the provisions of this section, no State agency may accept a grant not anticipated in this act if acceptance of the grant would obligate the State to make future expenditures relating to the program receiving the grant or would otherwise result in a financial obligation as a consequence of accepting the grant funds.

EDUCATION LOTTERY FUNDS/EXPENSES OF THE LOTTERY/LIMIT ON REGIONAL OFFICES

SECTION 5.2.(a) The appropriations made from the Education Lottery Fund for the 2015-2017 fiscal biennium are as follows:

	FY 2015-2016	FY 2016-2017
Classroom Teachers	\$254,586,185	\$254,586,185
Teacher Assistants	49,279,252	49,279,252
Prekindergarten Program	83,841,830	88,337,155
Public School Building Capital Fund	100,000,000	100,000,000
Scholarships for Needy Students	30,450,000	30,450,000
UNC Need-Based Financial Aid	10,744,733	10,744,733
TOTAL APPROPRIATION	\$528,902,000	\$533,397,325

SECTION 5.2.(b) Notwithstanding G.S. 18C-164, the Office of State Budget and Management shall not transfer funds to the Education Lottery Reserve Fund for each year of the 2015-2017 fiscal biennium.

SECTION 5.2.(c) G.S. 18C-163 reads as rewritten:

"§ 18C-163. Expenses of the Lottery.

(a) Expenses of the Lottery may include any of the following:

- (1) The costs incurred in operating and administering the Commission, including initial start-up costs.
- (2) The costs resulting from any contracts entered into for the purchase or lease of goods or services required by the Commission.

(3) A transfer of one million dollars (\$1,000,000) annually to the Department of Health and Human Services for gambling addiction education and treatment programs.

(4) The costs of supplies, materials, tickets, independent studies and audits, data transmission, advertising, promotion, incentives, public relations, communications, bonding for lottery game retailers, printing, and distribution of tickets and shares.

(5) The costs of reimbursing other governmental entities for services provided to the Commission.

(6) The costs for any other goods and services needed to accomplish the purposes of this Chapter.

(b) Additional expenses of the lottery shall include a transfer of two million dollars (\$2,000,000) annually to the Department of Public Safety, Alcohol Law Enforcement Branch, for gambling enforcement activities."

SECTION 5.2.(d) Article 8 of Chapter 18C of the General Statutes is amended by adding a new section to read:

"§ 18C-174. Number of regional offices limited.

The Lottery Commission shall maintain no more than six regional offices. A regional office may include a claims center, but in no event shall the Lottery Commission maintain more than six regional offices as provided in this section."

CIVIL PENALTY AND FORFEITURE FUND

SECTION 5.3.(a) Appropriations are made from the Civil Penalty and Forfeiture Fund for the fiscal biennium ending June 30, 2017, as follows:

	FY 2015-2016	FY 2016-2017
School Technology Fund	\$18,000,000	\$18,000,000
Drivers Education	0	27,393,768
State Public School Fund	124,362,790	124,362,790
Total Appropriation	\$142,362,790	\$169,756,558

SECTION 5.3.(b) Excess receipts realized in the Civil Penalty and Forfeiture Fund in each year of the 2015-2017 fiscal biennium shall be allocated to the School Technology Fund.

SECTION 5.3.(c) The clear proceeds of the newly established motor vehicle registration late fee charged pursuant to G.S. 20-88.03, as enacted by this act, shall be used to provide a dedicated source of revenue for the drivers education program administered by the Department of Public Instruction in accordance with G.S. 115C-215 and shall be appropriated annually by the General Assembly for this purpose.

INDIAN GAMING EDUCATION REVENUE FUND

SECTION 5.4.(a) The sum of six million dollars (\$6,000,000) transferred from the Indian Gaming Education Revenue Fund and appropriated to the Department of Public Instruction, School Technology Fund, for each year of the 2015-2017 fiscal biennium shall be used to continue support of the State's public school technology needs.

SECTION 5.4.(b) G.S. 143C-9-7 does not apply to the use of these funds for the 2015-2017 fiscal biennium.

MODIFY ELEMENTS OF CASH MANAGEMENT PLAN

SECTION 5.5. G.S. 147-86.11(e) reads as rewritten:

"(e) Elements of Plan. – For moneys received or to be received, the statewide cash management plan shall provide at a minimum that:

...

(4) Unpaid billings due to a State agency other than amounts owed by patients to the University of North Carolina Health Care System, East Carolina University's Division of Health Sciences, ~~or by customers of the North Carolina Turnpike Authority~~ Authority, or the North Carolina Department of Transportation shall be turned over to the Attorney General for collection no more than 90 days after the due date of the billing, except that a State agency need not turn over to the Attorney General unpaid billings of less than five hundred dollars (\$500.00), or (for institutions where applicable) amounts owed by all patients which are less than the federally established deductible applicable to Part A of the Medicare program, and instead may handle these unpaid bills pursuant to agency debt collection procedures.

...

(4b) The North Carolina Turnpike Authority and the North Carolina Department of Transportation may turn over to the Attorney General for collection amounts owed to the North Carolina Turnpike ~~Authority~~ Authority or the North Carolina Department of Transportation.

...."

PART VI. GENERAL PROVISIONS

CONTINGENCY AND EMERGENCY FUND LIMITATION

SECTION 6.1. For the 2015-2017 fiscal biennium and notwithstanding the provisions of G.S. 143C-4-4(b), funds appropriated to the Contingency and Emergency Fund may be used only for expenditures required (i) by a court or Industrial Commission order or (ii) to respond to events as authorized under G.S. 166A-19.40(a) of the North Carolina Emergency Management Act. These funds shall not be used for other statutorily authorized purposes or for any other contingencies and emergencies.

ESTABLISHING OR INCREASING FEES

SECTION 6.2.(a) Notwithstanding G.S. 12-3.1, an agency is not required to consult with the Joint Legislative Commission on Governmental Operations prior to establishing or increasing a fee to the level authorized or anticipated in this act.

SECTION 6.2.(b) Notwithstanding G.S. 150B-21.1A(a), an agency may adopt an emergency rule in accordance with G.S. 150B-21.1A to establish or increase a fee as authorized by this act if the adoption of a rule would otherwise be required under Article 2A of Chapter 150B of the General Statutes.

VENTURE CAPITAL MULTIPLIER FUND

SECTION 6.3.(a) Of the funds appropriated in this act, the sum of forty million dollars (\$40,000,000) for the 2015-2016 fiscal year in the North Carolina Venture Capital Multiplier Fund shall be used exclusively for the purposes permitted under G.S. 147-69.2A.

SECTION 6.3.(b) Article 6 of Chapter 147 of the General Statutes is amended by adding a new section to read:

"§ 147-69.2A. North Carolina Venture Capital Multiplier Fund.

(a) Intent and Purpose. – It is the intent of the General Assembly that the State shall develop prudent and innovative ways to provide a perpetual and sustainable source of funding for the public purposes authorized by the State Constitution.

(b) Fund. – There is created in the Department of the State Treasurer a special fund to be known as the North Carolina Venture Capital Multiplier Fund (Fund). The Fund shall provide a source of funding for innovations and inventions that have the potential to increase the State treasury on a sustainable basis.

(c) Board. – The Venture Capital Multiplier Board (Board) is established. The duties of the Board shall include the administration of the Fund, including the development of guidelines to be used to identify and evaluate investment opportunities appropriate for receiving allocations from the Fund and the selection of opportunities on the basis of potential return on investment. The Board shall consist of the nine members appointed as follows:

(1) Three members appointed by the Governor, with one member designated by the Governor to serve as chair of the Board.

(2) Three members appointed by the House of Representatives, upon the recommendation of the Speaker of the House of Representatives, to each serve a term of four years.

(3) Three members appointed by the Senate, upon the recommendation of the President Pro Tempore of the Senate, to each serve a term of four years.

Appointments to the Board shall be made to ensure that its membership has experience in the following areas: (i) venture capital investment, (ii) innovation-based small businesses, (iii) business ownership or management, (iv) entrepreneurial activities, (v) early stage investment, and (vi) multimanager investment. The Board may act only upon a decision of a majority of its members. Members of the Board shall receive subsistence and travel allowances at the rates set forth in G.S. 120-3.1, 138-5, or 138-6, as appropriate. Vacancies shall be filled by the respective appointing authority. The State Treasurer shall assign professional and clerical staff to assist in the work of the Board.

(d) Organization and Reporting. – Meetings of the Board are subject to the open meetings requirements of Article 33C of Chapter 143 of the General Statutes. All documents of the Board are public records governed by Chapter 132 of the General Statutes and any applicable provisions of the General Statutes protecting confidential information.

At least 20 days before the effective date of any guidelines or nontechnical amendments to guidelines, the Board must publish the proposed guidelines on the Department's Web site and provide notice to persons who have requested notice of proposed guidelines. In addition, the Board must accept oral and written comments on the proposed guidelines during the 15 business days beginning on the first day that the Board has completed these notifications. For the purpose of this subsection, a technical amendment is either of the following:

(1) An amendment that corrects a spelling or grammatical error.

(2) An amendment that makes a clarification based on public comment and could have been anticipated by the public notice that immediately preceded the public comment.

The Board shall adopt policies to prevent conflicts of interests such that no current member while serving on the Board, and no former member within two years after the end of service on the Board, shall provide services for compensation as an employee, consultant, or otherwise to any entity in which an investment from the Fund is, or was, made while the member is, or was, serving on the Board.

By October 1, 2015, and at least semiannually thereafter, the State Treasurer and the Board shall submit a report to the Governor, the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division on investments made from the Fund and any return on investment."

STATE AGENCIES/REPORTS ON LEGISLATIVE LIAISONS AND SALARY INFORMATION

1 **SECTION 6.4.** By September 1, 2015, the Office of State Budget and Management
2 shall report the following information to the chairs of the House of Representatives
3 Appropriations Committee, the chairs of the Senate Appropriations/Base Budget Committee,
4 and to the Fiscal Research Division:

5 (1) Legislative liaisons. -

- 6 a. The number of legislative liaisons designated by each Department or
7 Commission.
8 b. For each individual, the position name, position number, salary, the
9 amount of time spent lobbying legislators or legislative employees
10 for legislative action, and whether lobbying is the individual's
11 principal duty such that the individual is required to file a registration
12 statement with the Secretary of State.
13 c. An explanation of why each legislative liaison is needed.
14 d. A description of any other responsibilities or duties performed by
15 each legislative liaison.

16 (2) Public Information Officer (PIO) and staff reporting to PIO. -

- 17 a. The number of individuals designated by the Department or
18 Commission to serve as a Public Information Officer, and the
19 number of staff reporting to each PIO.
20 b. For each individual, the position name, position number, and salary.
21 c. The duties and responsibilities of each individual in his or her role as
22 a Public Information Officer or staff to a PIO.
23 d. An explanation of why each Public Information Officer and staff to
24 each PIO is needed.

25 (3) Salary reserve and lapsed salaries. -

- 26 a. The amount of salary reserve, by source, remaining in each fund
27 code on June 30 of fiscal year 2013-2014 and fiscal year 2014-2015.
28 b. The amount of lapsed salaries generated in fiscal year 2013-2014 and
29 fiscal year 2014-2015.
30 c. The Department's or Commission's policy on the use of salary
31 reserve and lapsed salaries.
32

33 **TRANSITION PLAN FOR TRANSFERRING VARIOUS STATE ATTRACTIONS**
34 **FROM DENR TO DCR**

35 **SECTION 6.5.(a)** The Department of Cultural Resources and Department of
36 Environment and Natural Resources shall develop a plan to consider transferring the North
37 Carolina Museum of Natural Sciences, the North Carolina Zoological Park, the North Carolina
38 Aquariums, the State Parks System, Division of Environmental Assistance and Customer
39 Services, Environmental Education, and graphic/web design and creative services from the
40 Department of Environment and Natural Resources to the Department of Cultural Resources
41 during the 2016-2017 fiscal year. The plan shall also include the operation and management of
42 the Clean Water Management Trust Fund, Pigeon River Fund, Natural Heritage Program,
43 Coastal Reserve Program, and the Albemarle-Pamlico National Estuary Partnership. The plan
44 shall include the following:

45 (1) Identification of issues and any problems to be addressed by the transfer.

46 (2) Identification of the outcomes to be achieved by the transfer, including the
47 following:

- 48 a. Private fund-raising efforts.
49 b. Coordination of volunteers.
50 c. Revenue opportunities, including fees, passes, and memberships.

d. Cost savings, including administrative savings and programmatic savings identified by the transfer.

e. Efficiencies gained from the transfer.

(3) Projected outcomes should include baseline metrics from the 2013-2015 biennium for comparison purposes.

(4) Implementation schedule and time line for the transfer.

SECTION 6.5.(b) The Department of Cultural Resources and the Department of Environment and Natural Resources shall report by February 1, 2016, on the plan to transfer the State attractions set out in subsection (a) of this section to the Joint Legislative Oversight Committee on General Government, the chairs of the Senate Appropriations Committee on General Government and Information Technology and the House of Representatives Appropriations Committee on General Government, and the chairs of the House of Representatives Appropriations Committee on Agriculture and Economic and Natural Resources and the Senate Appropriations Committee on Natural and Economic Resources.

UNC CARRYFORWARD/TEMPORARY INCREASE ENDING JULY 1, 2017

SECTION 6.6.(a) G.S. 116-30.3(a) reads as rewritten:

"§ 116-30.3. Reversions.

(a) Of the General Fund current operations appropriations credit balance remaining at the end of each fiscal year in each of the budget codes listed in this subsection, any amount of the General Fund appropriation for that budget code for that fiscal year (i) may be carried forward to the next fiscal year in that budget code, (ii) is appropriated in that budget code, and (iii) may be used for any of the purposes set out in subsection (f) of this section. However, the amount carried forward in each budget code under this subsection shall not exceed ~~two and one-half percent (2.5%)~~ five percent (5%) of the General Fund appropriation in that budget code. The Director of the Budget, under the authority set forth in G.S. 143C-6-2, shall establish the General Fund current operations credit balance remaining in each budget code.

The budget codes that may carry forward a General Fund current operations appropriations credit balance remaining at the end of each fiscal year pursuant to this section are the budget codes for each of the following:

(1) Each special responsibility constituent institution.

(2) The Area Health Education Centers of the University of North Carolina at Chapel Hill.

(3) General Administration Budget Code 16010."

SECTION 6.6.(b) The Board of Governors of The University of North Carolina shall submit a written report on October 1, 2016, and October 1, 2017, to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division concerning the allocation and use of funds accruing from the temporary increase in the carryforward provided by subsection (a) of this section.

SECTION 6.6.(c) This section becomes effective June 30, 2016, and expires July 1, 2017.

CHALLENGE GRANTS FOR CULTURAL ARTS VENUES

SECTION 6.7.(a) Of the funds appropriated in this act, the sum of ten million dollars (\$10,000,000) in nonrecurring funds for the 2015-2016 fiscal year shall be used to establish the Challenge Grant Program for Cultural Arts Venues. These grants shall be administered by the Office of State Budget and Management in consultation with the Department of Cultural Resources.

SECTION 6.7.(b) In order to qualify for a grant established under this program, a cultural arts venue must meet the following requirements:

- (1) Document that it will operate on a nonprofit basis for the cultural enrichment of the community at large.
- (2) Demonstrate that it has private support.
- (3) Demonstrate the cultural arts benefits for the venue.
- (4) Document that it will hire the necessary professional expertise to utilize the funds.
- (5) Comply with other requirements established by the Office of State Budget and Management in consultation with the Department of Cultural Resources for administration of the program.

SECTION 6.7.(c) By October 1, 2015, and then quarterly thereafter, the Office of State Budget and Management shall report to the Joint Legislative Oversight Committee on General Government and the Fiscal Research Division on the administration of the grant program established by this section.

BUDGET ACCOUNTABILITY AND TRANSPARENCY REFORM INITIATIVE

SECTION 6.8.(a) Finding and Purpose. – The General Assembly finds that the State budget is its central policy document and primary vehicle for directing the provision of programs and services to the citizens of the State. As such, the State's budget must be clear, transparent, and credible if it is to serve as a basis of accountability to its citizens. Therefore, it is the intent of the General Assembly to provide flexibility and support to the Governor in continuing efforts to effectuate the necessary changes to the structure and presentation of the State budget. The purpose of the Budget Accountability and Transparency Reform Initiative (BATR) established by this section is to ensure the highest level of transparency for meaningful review of the State budget by all citizens of the State.

SECTION 6.8.(b) Base Budget Reform Plan. – The Office of State Budget and Management and all State departments, agencies, and institutions shall develop jointly and execute a base budget reform plan that ensures all of the following:

- (1) Strict adherence to Chapter 143C of the General Statutes, the State Budget Act.
- (2) Realignment of the State's expenditures and revenues in a clear and logical manner.
- (3) Presentation of a comprehensive, accurate, and reliable account of all State expenditures and revenues.
- (4) An annual base budget document that:
 - a. Is presented in a format that promotes effective decision making, accountability, and oversight; and
 - b. Provides detailed budget information that can be understood at all levels of State government and by members of the general public.

SECTION 6.8.(c) Realignments. – Effective with the development and presentation of the Governor's 2017-2019 recommended biennial base budget, the Office of State Budget and Management may realign the various line items of expenditure and revenue in all State agency, departmental, and institutional budgets. For the purpose of correctly realigning the State's budget, the line items for aid and public assistance shall remain budgeted at the levels appropriated by the General Assembly for fiscal year 2016-2017. State agencies, with the approval of the Office of State Budget and Management, shall build their line-item budgets, including elimination of vacant positions to more closely align with actual requirements and anticipated receipts for each of the programs and purposes contained in the Governor's Recommended Base Budget. State agencies must budget receipts based on historical trends. Under no circumstances may an agency move receipts between programs and purposes. State agencies newly aligned line-item budgets shall be submitted to the General Assembly as part of the Governor's Recommended Base Budget for the 2017-2019 biennium.

1 **SECTION 6.8.(d)** Reward Demonstrated Operating Efficiencies. – The Office of
2 State Budget and Management and representatives of the State agencies, departments, and
3 institutions shall develop jointly a plan to reward State agencies, departments, and institutions
4 for achieving demonstrable operating efficiencies. The plan shall identify the necessary and
5 appropriate metrics to be used in assessing efficiency and shall ensure that financial rewards
6 provided to State agencies are made with nonrecurring funds.

7 **SECTION 6.8.(e)** Implementation. – Upon issuance of a fully reformed and
8 realigned base State budget in compliance with this section, the Office of State Budget and
9 Management may execute the plan described in subsection (b) of this section.

10 **SECTION 6.8.(f)** Authorization to Eliminate Positions. – Notwithstanding any
11 State law, rule, regulation, or directive to the contrary, including any order issued by the
12 Governor or the Governor's designee, vacant positions in State government employment may
13 be eliminated for the purpose of realigning the State budget only upon the express authorization
14 of the General Assembly in this act or a subsequent enactment.

15 **SECTION 6.8.(g)** Reporting. – The Office of State Budget and Management shall
16 report its progress in developing the realigned base budget required in subsection (a) of this
17 section no later than November 1, 2017. The Office of State Budget and Management shall
18 present the realigned base budget by January 1, 2018, and shall provide a final report on the
19 execution of the requirements in subsection (b) of this section by no later than August 31, 2018.

20 21 **UNIVERSITY INNOVATION COMMERCIALIZATION GRANT PROGRAM**

22 **SECTION 6.9.(a)** Purpose. – In order to increase the number of high-tech start-up
23 companies and enhance job creation resulting from research conducted by North Carolina's
24 universities and research-focused nonprofit corporations, the University Innovation
25 Commercialization Grant Program is established.

26 **SECTION 6.9.(b)** Grants. – The Office of Science, Technology, and Innovation in
27 the Department of Commerce (Department) shall establish a competitive award process to
28 provide funding to develop and implement processes for technology proof of concept,
29 validation, Internet protocol protection, early and mid-stage product development and
30 production, commercialization, and translation for technologies developed by North Carolina
31 universities.

32 **SECTION 6.9.(c)** Administration. – The Department of Commerce may use up to
33 ten percent (10%) of grant funds appropriated in this act to contract with one or more nonprofit
34 corporations to assist with the following:

- 35 (1) Select university technologies for development based on commercial
36 potential.
37 (2) Create a development plan of key activities to make the technologies more
38 attractive to investors.
39 (3) Guide implementation of these activities to assure efficient deployment of
40 funds and commercial-quality results.

41 Each nonprofit organization must demonstrate expertise in life science technologies such as
42 medical, biological, and agricultural technologies or non-life sciences technologies such as
43 information technology, materials technology, and cyber security.

44 **SECTION 6.9.(d)** Eligibility. – Upon recommendation and guidance from a
45 nonprofit corporation with which the Department contracts pursuant to this subsection (c) of
46 this section, the Department of Commerce may make grant awards only to the following:

- 47 (1) A constituent institution of The University of North Carolina.
48 (2) A private college or university located in North Carolina.

49 **SECTION 6.9.(e)** Reports. – The Office of Science, Technology, and Innovation in
50 the Department of Commerce and the nonprofit corporation selected under subsection (c) of
51 this section shall provide an annual report to the Office of State Budget and Management and

the Fiscal Research Division no later than January 1 of each fiscal year. The report shall detail expenditures and grants made from these funds and provide evidence of return on investment, including (i) the number of technologies brought to market; (ii) the number of new companies founded; and (iii) data on jobs created, including occupational classifications and salary ranges.

SECTION 6.9.(f) Oversight. – The Department of Commerce, in consultation with the Office of State Budget and Management, shall provide monitoring and oversight of the performance of any contract entered into pursuant to this section with a North Carolina nonprofit corporation and of the funds granted to institutes of higher education.

SECTION 6.9.(g) Public Funds. – A North Carolina nonprofit corporation or institute of higher education with which the Department contracts or grants funds pursuant to this section shall use interest earned on State funds after receipt of the funds by the nonprofit corporation only for the same purposes authorized by this subsection (c) of this section.

RALLYING INVESTORS AND SKILLED ENTREPRENEURS OF NC (RISE NC)

SECTION 6.10.(a) Purpose. – In order to increase the number of high-tech start-up companies and enhance job creation, the Rallying Investors and Skilled Entrepreneurs of North Carolina (RISE NC) initiative creates a statewide network that develops and leverages existing North Carolina entrepreneurial management talent and recruits world-class investors, skilled entrepreneurs, and managers to North Carolina.

SECTION 6.10.(b) Grant. – The Office of Science, Technology, and Innovation in the Department of Commerce shall establish a competitive award process to provide funding to one or more North Carolina nonprofit corporations to perform the following:

(1) The development of a statewide entrepreneurial network to connect serial entrepreneurs to university start-ups; and

(2) The development of an entrepreneurship fellowship program.

Grant funds shall be matched on the basis of one dollar (\$1.00) in grant funds for every two dollars (\$2.00) of nongrant funds. Matching funds shall not include other State funds.

SECTION 6.10.(c) Reports. – The Office of Science, Technology, and Innovation in the Department of Commerce and the nonprofit corporation selected in subsection (b) of this section shall provide an annual report to the Office of State Budget and Management and the Fiscal Research Division no later than January 1 of each fiscal year. The report shall detail expenditures and grants made from these funds and provide evidence of return on investment, including the number of new companies founded and data on jobs created, including occupational classifications and salary ranges.

SECTION 6.10.(d) Oversight. – The Department of Commerce, in consultation with the Office of State Budget and Management, shall provide monitoring and oversight of the performance of a contract entered into pursuant to this section with a North Carolina nonprofit corporation.

SECTION 6.10.(e) Public Funds. – A North Carolina nonprofit corporation with which the Department contracts pursuant to this section shall use interest earned on State funds after receipt of the funds by the nonprofit corporation only for the same purposes identified in subsection (b) of this section.

COMPENSATION FOR RESEARCH AND DEVELOPMENT

SECTION 6.11.(a) Any contract entered into by a State agency for the development, design, creation, or testing of a new curriculum, technology system or platform, or other product shall contain a provision specifying how the State of North Carolina will be appropriately compensated from the proceeds of the contractor's future revenue, use, and sales related to the curriculum, information technology system or platform, or other product in recognition of the State's investment of time, resources, expertise, knowledge, and data.

SECTION 6.11.(b) The Office of the Attorney General shall develop the necessary contract language to effectuate the requirement in subsection (a) of this section and shall ensure that the language is incorporated into the State's template for contracts, as appropriate.

PART VII. INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY FUND

SECTION 7.1. The availability used to support appropriations made in this act from the Information Technology Fund established in G.S. 147-33.72H is as follows:

	FY 2015-2016	FY 2016-2017
General Fund Appropriation for IT Fund	\$23,723,725	\$22,173,996
Requirements		
Criminal Justice Information Network	\$193,085	\$193,085
Center for Geographic Information and Analysis	\$435,952	\$435,952
Enterprise Security Risk Management	\$871,497	\$871,497
Staffing and Strategic Projects	\$7,573,903	\$7,573,903
First Net	\$1,549,729	-
Enterprise Project Management Office	\$1,501,234	\$1,501,234
IT Strategy and Standards	\$865,326	\$865,326
State Portal	\$233,510	\$233,510
Process Management	\$398,234	\$398,234
IT Consolidation	\$1,000,000	\$1,000,000
Government Data Analytics Center	\$9,101,255	\$9,101,255
Architecture and Engineering	\$851,986	\$851,986

Unless a change is approved by the State Chief Information Officer after consultation with the Office of State Budget and Management, funds appropriated to the Information Technology Fund shall be spent only as specified in this section. Changes shall not result in any degradation to the information technology operations or projects listed in this section for which the funds were originally appropriated.

Any changes to the specified uses shall be reported in writing to the chairs of the Joint Legislative Oversight Committee on Information Technology, the chair and cochair of the House Appropriations Committee on Information Technology, and the Fiscal Research Division.

INFORMATION TECHNOLOGY INTERNAL SERVICE FUND

SECTION 7.2.(a) Appropriations for the Information Technology Internal Service Fund for the 2015-2017 fiscal biennium are as follows:

	FY 2015-2016	FY 2016-2017
IT Internal Service Fund		
Requirements		
OITS – Administration	\$8,065,280	\$8,065,280
IT Strategic Sourcing	1,731,548	1,731,548
Center for Geographic Information and Analysis	3,772,415	3,923,845
Center for Geographic Information and Analysis		
GIS Conference	-	139,475
Hosting Services	61,734,555	1,734,555
Network Services	78,820,542	78,820,542

1	IT Business Applications	5,488,528	5,488,528
2	Enterprise Licensing – Oracle	3,315,527	3,315,527
3	Enterprise Licensing – Environmental Services		
4	Research Institute	766,500	766,500
5	Consumer Platform Services	7,862,925	7,862,925
6	Enterprise Licensing – SAS	2,769,500	2,666,000
7	Enterprise Licensing – SAP	5,029,667	5,029,667
8	Admin Support Services	274,894	274,894
9	Compliance and Transformation	3,774,000	3,774,300
10	EPA – PAR	-	-
11	US Geologic Survey	-	-
12	Total	\$183,405,881	\$183,492,436
13			
14	Less Positions Vacant Over 180 Days	(1,500,000)	(1,500,000)
15	Less Position Transfer to IT Fund	(965,454)	(1,162,575)
16			
17	Total Appropriation	\$180,940,427	\$180,829,861

18
19 **SECTION 7.2.(b)** IT Internal Service Fund. – For each year of the 2015-2017
20 fiscal biennium, receipts for the IT Internal Service Fund shall not exceed one hundred
21 eighty-five million dollars (\$185,000,000), excluding a 60-day balance for contingencies. Rates
22 approved by the Office of State Budget and Management (OSBM) to support the IT Internal
23 Service Fund shall be based on this fund limit. In the event the Fund exceeds the required limit,
24 rates shall be adjusted within 30 days. In the event that an increase in receipts for the IT
25 Internal Service Fund is required, the Office of Information Technology Services may only
26 implement the increase after consultation with the Joint Legislative Commission on
27 Governmental Operations.

28 **SECTION 7.2.(c)** Of the positions in the Office of Information Technology
29 Services and the Office of the State Chief Information Officer that have been vacant for more
30 than 180 days on July 1, 2015, a sufficient number of positions shall be eliminated such that the
31 sum of one million five hundred thousand dollars (\$1,500,000) in the 2015-2016 fiscal year and
32 the sum of one million five hundred thousand dollars (\$1,500,000) in the 2016-2017 fiscal year
33 are available to offset internal service fees charged to agencies. By September 1, 2015, the
34 State Chief Information Officer shall make a written report to the Joint Legislative Oversight
35 Committee on Information Technology and the Fiscal Research Division on the elimination of
36 these positions.

37 **SECTION 7.2.(d)** Funds collected for information technology equipment and
38 fixtures shall be separately maintained and accounted for by the Office of Information
39 Technology Services, and such funds shall be used only for the replacement of the fixtures and
40 equipment for which the funds were collected. By October 1, 2015, the Office of Information
41 Technology Services shall report to the Joint Legislative Oversight Committee on Information
42 Technology and the Fiscal Research Division on the means and methods by which it is in
43 compliance with the requirements of this subsection.

44 **SECTION 7.2.(e)** By October 31, 2015, the State Chief Information Officer shall
45 establish consistent, fully transparent, easily understandable rates that reflect industry standards
46 for each service for which any agency is charged. A report explaining the rate structure shall be
47 submitted to the Joint Legislative Commission on Governmental Operations, the chairs of the
48 Joint Legislative Oversight Committee on Information Technology, the House Appropriations
49 Committee on Information Technology, and the Fiscal Research Division. An interim report
50 shall be submitted by July 30, 2016. Overhead charges to agencies shall be consistently applied
51 and shall reflect industry standards for the particular service. Rate increases shall require the

approval of OSBM and consultation with the Joint Legislative Commission on Governmental Operations. Rate reductions may be implemented following notification of OSBM. However, if these rates are not approved by OSBM, the rates shall revert back to the rates for the immediately previous fiscal year.

SECTION 7.2.(f) Agency Billing and Payments. – The State Chief Information Officer shall ensure that bills from the Office of Information Technology Services are easily understandable and fully transparent. If a State agency fails to pay its IT Internal Service Fund bill within 30 days of receipt, the Office of State Budget and Management may transfer funds from the agency to fully or partially cover the cost of the bill from that agency to the IT Internal Service Fund following notification of the affected agency.

SECTION 7.2.(g) Unspecified Uses. – Any uses of the IT Internal Service Fund not specifically related to the operation of the Office of Information Technology Services, to include any transfers to other State agencies, shall immediately be reported to the Office of State Budget and Management and the Fiscal Research Division with a detailed explanation as to why it was necessary to use the Fund.

SECTION 7.2.(h) If the Director of the Budget determines that funds appropriated to a State agency for Information Technology Shared Services purposes exceed the amount required by that agency for that purpose, the Director may reallocate those funds, in addition to the appropriations set forth in Section 2.1 of this act, to other State agencies that received insufficient funds for Information Technology Shared Services.

INFORMATION TECHNOLOGY RESERVE

SECTION 7.3.(a) The appropriations for the Information Technology Reserve Fund for the 2015-2017 fiscal biennium are as follows:

	FY 2015-2016	FY 2016-2017
Government Data Analytics Center	\$8,000,000	\$8,000,000
Improve Efficiency and Customer Service through IT	\$4,475,454	\$4,672,575
Planning	\$1,500,000	\$1,500,000
Information Technology Security	\$4,768,462	\$4,765,966
Economic Modeling Initiative	\$500,000	–
Maintenance Management System Replacement		
Core Functionality	\$108,730	\$79,300
Additional Functionality	\$64,450	\$50,601

SECTION 7.3.(b) Of the funds appropriated for Information Technology Security, four hundred twenty-four thousand nine hundred seventy-four dollars (\$424,974) for fiscal year 2015-2016 and four hundred six thousand three hundred seventy-four dollars (\$406,374) for fiscal year 2016-2017 shall be transferred to the Department of Revenue to fund three security positions. The security positions shall include a Security Design Engineer, a Security Impact Analyst, and a Security Specialist.

SECTION 7.3.(c) The funds appropriated for Maintenance Management System Replacement shall be transferred to the Department of Administration to support the acquisition of a cloud-based facilities management system. The system shall include core system functionality consisting of maintenance, inventory, and utility management systems. The system shall also include three additional modules for system failure alerts, automation of utility bills, and the extension of maintenance management to mobile devices.

SECTION 7.3.(d) The funds appropriated for Planning shall be used solely for information technology strategic planning.

1 **SECTION 7.3.(e)** Funds appropriated to the Information Technology Reserve
2 Fund shall be spent only as specified in this section unless a change is approved by the State
3 Chief Information Officer after consultation with the Office of State Budget and Management.
4 An authorized change may not result in any degradation to the information technology
5 operations or projects listed in this section for which the funds were originally appropriated.
6 Any changes to the specified uses for the funds shall be reported immediately, in writing, to the
7 chairs of the Joint Legislative Oversight Committee on Information Technology, the chairs of
8 the House Appropriations Committee on Information Technology, and the Fiscal Research
9 Division.

10 **SECTION 7.3.(f)** The Office of State Budget and Management shall establish a
11 fund code for the Information Technology Reserve Fund and shall manage it separately from
12 other funding for the Office of Information Technology Services and the Office of the State
13 Chief Information Officer.

14 15 **INFORMATION TECHNOLOGY ARCHITECTURE**

16 **SECTION 7.4.(a)** By January 15, 2016, the State Chief Information Officer shall
17 develop an information technology architecture for State government.

18 **SECTION 7.4.(b)** The completed State information technology architecture
19 developed pursuant to this section shall be provided to the Joint Legislative Oversight
20 Committee on Information Technology and the Fiscal Research Division. This architecture,
21 along with State and agency business plans, shall be incorporated into a biennial State
22 Information Technology Plan (State IT Plan).

23 24 **INFORMATION TECHNOLOGY SECURITY**

25 **SECTION 7.5.** G.S. 147-33.110 reads as rewritten:

26 "Part 5. Security for Information Technology Services.

27 "**§ 147-33.110. Statewide security ~~standards~~; restrictions on use of State data.**

28 (a) The State Chief Information Officer (State CIO) is responsible for the establishment
29 and enforcement of security standards for all State agency information technology systems and
30 associated data in order to provide for the most effective and efficient protection of State data.

31 (b) The State Chief Information Officer CIO shall establish a statewide set of standards
32 for information technology security to maximize the functionality, security, and interoperability
33 of the State's distributed information technology assets, including communications assets. This
34 function includes:

35 (1) Management of all executive branch information technology security.

36 (2) Establishment of statewide standards for information technology security to
37 maximize the functionality, security, and interoperability of the State's
38 distributed information technology assets.

39 (3) Data classification and management.

40 (4) Maintaining an inventory of where State data is stored.

41 (5) Communications and encryption technologies.

42 (c) The State CIO shall review and revise the security standards annually. As part of
43 this function, the State ~~Chief Information Officer CIO~~ shall review periodically existing
44 security standards and practices in place among the various State agencies to determine
45 whether those standards and practices meet statewide security and encryption requirements.
46 The State ~~Chief Information Officer CIO~~ may assume the direct responsibility of providing for
47 the information technology security of any State agency that fails to adhere to security
48 standards adopted under this Article.

49 (d) Further, the State CIO shall establish standards for the management and
50 safeguarding of all State data held jointly by State agencies and private entities and shall
51 develop and implement a process to monitor and ensure adherence to the established standards.

For data maintained by non-State entities, the State CIO shall document the reasons for the use of the non-State entity and certify, in writing, that the use of the non-State entity is the best course of action. The State CIO shall ensure that State data held by non-State entities is properly protected and is held in facilities that meet State security standards. By October 1 each year, the State CIO shall certify, in writing, that data held in non-State facilities is being maintained in accordance with State information technology security standards and shall provide a copy of this certification to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

(e) Before a State agency can contract for the storage, maintenance, or use of State data by a private vendor, the agency shall obtain the written approval of the State CIO."

INFORMATION TECHNOLOGY PROJECT MANAGEMENT

SECTION 7.6.(a) Notwithstanding the provisions of G.S. 147-33.72E or any other provision of law to the contrary, for the 2015-2017 fiscal biennium, all information technology projects shall be managed through a standardized, fully documented process established and overseen by the State Chief Information Officer as provided by this section.

SECTION 7.6.(b) The State Chief Information Officer shall be responsible for ensuring that participating agency information technology projects are completed on time, within budget, and meet all defined business requirements upon completion. The State Chief Information Officer shall ensure that projects follow the Office of Information Technology Service's established process and shall monitor schedule, budget, and adherence to business requirements.

SECTION 7.6.(c) The State Chief Information Officer shall establish procedures to reduce the need for change requests and shall report on this process to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by October 1, 2015. The State Chief Information Officer shall also ensure that agency information technology project requirements are documented in biennial information technology plans. If an agency updates a biennial information technology plan to add a new project, the State Chief Information Officer shall immediately report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the reasons for the new requirement.

SECTION 7.6.(d) This section does not apply to agencies exempt under G.S. 147-33.80.

INFORMATION TECHNOLOGY PROCUREMENT

SECTION 7.7.(a) For the 2015-2017 fiscal biennium, and notwithstanding any provision of law to the contrary, State agency information technology procurement shall be conducted through the Office of the State Chief Information Officer.

SECTION 7.7.(b) To effectuate the purposes of this section, the State Chief Information Officer (State CIO) shall be responsible for establishing policies and procedures for information technology procurement for State agencies, including the establishment of time lines for completing procurements. These policies and procedures shall include metrics for determining the performance of both the Office of Information Technology Services and State agencies during the procurement process.

SECTION 7.7.(c) The Office of State Budget and Management (OSBM) shall not permit funding for information technology procurements that are not authorized by the State CIO under this section. If any State agency fails to conduct information technology procurements as required by this section, the State CIO and the OSBM shall report the violation immediately to the Joint Legislative Oversight Committee on Information Technology.

SECTION 7.7.(d) By October 1, 2015, the State CIO shall report to the Joint Legislative Oversight Committee on Information Technology on policies and processes

established by the Office of Information Technology Services to ensure the timely and efficient management of information technology procurement efforts.

SECTION 7.7.(e) This section does not apply to State agencies exempt under G.S. 147-33.80.

STATE AGENCY STANDARDIZATION

SECTION 7.8.(a) Beginning with the 2015-2017 fiscal biennium, the State Chief Information Officer shall establish consistent standards for the purchase of State agency hardware and software that reflect identified, documented agency needs, and State agencies shall adhere to these established standards.

SECTION 7.8.(b) By October 1, 2015, and then quarterly thereafter during the 2015-2017 fiscal biennium, the State Chief Information Officer shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the development, implementation, and enforcement of State agency information technology standardization.

SECTION 7.8.(c) This section does not apply to any agency exempt under G.S. 147-33.80.

DATA CENTERS/CONSOLIDATION

SECTION 7.9.(a) Beginning with the 2015-2017 fiscal biennium, the State Chief Information Officer shall create an inventory of data center operations in the executive branch, and shall develop and implement a detailed, written plan for consolidation of agency data centers in the most efficient manner possible. By December 1, 2015, the State Chief Information Officer shall present a report on the completed data center consolidation plan to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

SECTION 7.9.(b) State agencies shall use the State infrastructure to host their projects, services, data, and applications, except that the State Chief Information Officer may grant an exception if the State agency demonstrates any of the following:

- (1) Using an outside contractor would be more cost-effective for the State.
- (2) The Department does not have the technical capabilities required to host the application.
- (3) Valid security requirements preclude the use of State infrastructure, and a vendor can provide a more secure environment.

SECTION 7.9.(c) This section does not apply to any agency exempt under G.S. 147-33.80.

INFORMATION TECHNOLOGY HUMAN RESOURCES

SECTION 7.10.(a) Beginning with the 2015-2017 fiscal biennium, the State Chief Information Officer shall establish a detailed, standardized, and systemic inventory of State information technology personnel.

SECTION 7.10.(b) The inventory shall include the following information:

- (1) An inventory of current agency information technology personnel and their skills.
- (2) Documentation of current information technology personnel requirements.
- (3) Analysis and documentation of the gaps between current personnel and identified requirements.
- (4) A detailed, fully executable plan to fill identified gaps.
- (5) A detailed, fully executable plan to eliminate positions that may no longer be required.

- (6) A detailed, fully executable plan for employees whose skills are no longer required.

This inventory and associated plans shall be completed by December 1, 2015, and shall be provided to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

SECTION 7.10.(c) The State Chief Information Officer shall establish standard information technology career paths for both management and technical tracks, including defined qualifications, career progression, training requirements, and appropriate compensation. For information technology procurement professionals, the State Chief Information Officer shall establish a career path that includes defined qualifications, career progression, training requirements, and appropriate compensation. These career paths shall be completely documented by December 1, 2015, and shall be provided to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division by December 1, 2015. They shall be updated on an annual basis.

SECTION 7.10.(d) The State Chief Information Officer may, with written permission of the agency heads concerned, repurpose or leverage an agency resource across another agency. This includes the use of information technology personnel with a level of expertise needed for a particular matter to be used across agencies.

SECTION 7.10.(e) This section does not apply to agencies exempt under G.S. 147-33.80.

INFORMATION TECHNOLOGY PERFORMANCE MEASURES

SECTION 7.11.(a) By September 1, 2015, the State Chief Information Officer shall establish specific, quantifiable performance measures for each function performed by the Office of Information Technology Services and the Office of the State Chief Information Officer. These performance measures shall be posted on the Office of Information Technology Services Web site and, at a minimum, shall be updated on a monthly basis. Any plans shall include mitigation strategies to resolve any failure to meet established performance measures.

SECTION 7.11.(b) By September 1, 2015, the State Chief Information Officer shall report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the establishment of performance measures.

STATE INFORMATION TECHNOLOGY/CONSOLIDATION OF INFORMATION TECHNOLOGY GOVERNANCE AND RESOURCES

SECTION 7.12.(a) By May 1, 2016, in order to ensure the maximum effectiveness and efficiency of State government information technology, the following requirements shall be accomplished by the executive branch under the coordination of the Office of the State Chief Information Officer:

- (1) An inventory of information technology personnel across all State agencies, their responsibilities, and associated funding.
- (2) An inventory of all information technology assets throughout State agencies.
- (3) A prioritized action plan to achieve the following goals:
 - a. Ensure the security of State-maintained information.
 - b. Implement a motor data management plan for State agencies.
 - c. Consolidate IT procurement.
 - d. Eliminate duplication and waste.
 - e. Promote efficiency by implementing best practices for all IT processes.
- (4) Completion dates and projected savings earned from each initiative.

The Office of State Budget and Management shall assist the State Chief Information Officer in conducting this analysis. Each State agency shall comply and cooperate fully with the State

Chief Information Officer concerning this review. This section does not apply to agencies exempt under G.S. 147-33.80.

SECTION 7.12.(b) By May 15, 2016, the State Chief Information Officer shall report findings and any recommended organizational or statutory changes related to the consolidation of State agency information technology to the chairs of the House of Representatives Appropriations Committee and the Senate Appropriations/Base Budget Committee, to the Joint Legislative Oversight Committee on Information Technology, and to the Fiscal Research Division.

ELECTRONIC SIGNATURES

SECTION 7.13.(a) The State Chief Information Officer shall implement a digital form program for State agencies that includes secure electronic signature capability. This program shall be developed in consultation with participating agencies and shall include requirements identified by them.

By October 1, 2015, the State CIO shall provide a completed plan for the program to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. This plan shall include a priority list for implementing specific electronic forms, a time line for each implementation, and costs associated with the program.

SECTION 7.13.(b) The following definitions apply in this section:

- (1) Electronic signature. – A signature that consists of one or more letters, characters, numbers, or other symbols in digital form incorporated in, attached to, or associated with an electronic document.
- (2) Secure electronic signature. – An electronic signature that:
 - a. Is unique to the person making the signature;
 - b. The technology or process used to make the signature is under the sole control of the person making the signature;
 - c. The technology or process can be used to identify the person using the technology or process; and
 - d. The electronic signature can be linked with an electronic document in such a way that it can be used to determine whether the electronic document has been changed since the electronic signature was incorporated in, attached to, or associated with the electronic document.

ECONOMIC MODELING INITIATIVE

SECTION 7.14.(a) Of the funds appropriated to the Information Technology Reserve, the sum of five hundred thousand dollars (\$500,000) for the 2015-2016 fiscal year shall be allocated to the Board of Governors of The University of North Carolina for the University of North Carolina at Charlotte (UNC-Charlotte) to provide economic modeling for the State.

SECTION 7.14.(b) UNC-Charlotte shall develop and implement an economic modeling capability to facilitate the efforts of State agencies working to create economic development and growth opportunities for the State. UNC-Charlotte shall work with State agencies involved in economic development and growth initiatives to define their requirements and to provide timely, effective products to support their needs. All State agencies shall support this effort by providing required data in a timely manner.

SECTION 7.14.(c) By January 15, 2016, UNC-Charlotte shall report to the Joint Legislative Oversight Committee on Information Technology and Fiscal Research Division on the status of the economic modeling initiative.

STATE CIO AND AGENCY COMPLIANCE WITH IT DIRECTIVES

SECTION 7.15. The State Chief Information Officer shall monitor State agency compliance with directives from the General Assembly relating to the use or procurement of information technology services and shall notify the head of any agency determined to be in noncompliance. Beginning October 1, 2015, for the 2015-2017 fiscal biennium, the State Chief Information Officer shall report State agency noncompliance immediately to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division.

PART VIII. PUBLIC SCHOOLS

FUNDS FOR CHILDREN WITH DISABILITIES

SECTION 8.1. The State Board of Education shall allocate additional funds for children with disabilities on the basis of three thousand nine hundred twenty-six dollars and ninety-seven cents (\$3,926.97) per child. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) twelve and one-half percent (12.5%) of its 2015-2016 allocated average daily membership in the local school administrative unit. The dollar amounts allocated under this section for children with disabilities shall also be adjusted in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve children with disabilities.

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 8.2. The State Board of Education shall allocate additional funds for academically or intellectually gifted children on the basis of one thousand two hundred eighty dollars and seventy cents (\$1,280.70) per child for fiscal years 2015-2016 and 2016-2017. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2015-2016 allocated average daily membership, regardless of the number of children identified as academically or intellectually gifted in the unit. The dollar amounts allocated under this section for academically or intellectually gifted children shall also be adjusted in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve academically or intellectually gifted children.

USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

SECTION 8.3.(a) Use of Funds for Supplemental Funding. – All funds received pursuant to this section shall be used only (i) to provide instructional positions, instructional support positions, teacher assistant positions, clerical positions, school computer technicians, instructional supplies and equipment, staff development, and textbooks and digital resources and (ii) for salary supplements for instructional personnel and instructional support personnel. Local boards of education are encouraged to use at least twenty-five percent (25%) of the funds received pursuant to this section to improve the academic performance of children who are performing at Level I or II on either reading or mathematics end-of-grade tests in grades three through eight.

SECTION 8.3.(b) Definitions. – As used in this section, the following definitions apply:

- (1) "Anticipated county property tax revenue availability" means the county-adjusted property tax base multiplied by the effective State average tax rate.
- (2) "Anticipated total county revenue availability" means the sum of the following:
 - a. Anticipated county property tax revenue availability.

- b. Local sales and use taxes received by the county that are levied under Chapter 1096 of the 1967 Session Laws or under Subchapter VIII of Chapter 105 of the General Statutes.
 - c. Sales tax hold harmless reimbursement received by the county under G.S. 105-521.
 - d. Fines and forfeitures deposited in the county school fund for the most recent year for which data are available.
- (3) "Anticipated total county revenue availability per student" means the anticipated total county revenue availability for the county divided by the average daily membership of the county.
 - (4) "Anticipated State average revenue availability per student" means the sum of all anticipated total county revenue availability divided by the average daily membership for the State.
 - (5) "Average daily membership" means average daily membership as defined in the North Carolina Public Schools Allotment Policy Manual, adopted by the State Board of Education. If a county contains only part of a local school administrative unit, the average daily membership of that county includes all students who reside within the county and attend that local school administrative unit.
 - (6) "County-adjusted property tax base" shall be computed as follows:
 - a. Subtract the present-use value of agricultural land, horticultural land, and forestland in the county, as defined in G.S. 105-277.2, from the total assessed real property valuation of the county.
 - b. Adjust the resulting amount by multiplying by a weighted average of the three most recent annual sales assessment ratio studies.
 - c. Add to the resulting amount the following:
 1. Present-use value of agricultural land, horticultural land, and forestland, as defined in G.S. 105-277.2.
 2. Value of property of public service companies, determined in accordance with Article 23 of Chapter 105 of the General Statutes.
 3. Personal property value for the county.
 - (7) "County-adjusted property tax base per square mile" means the county-adjusted property tax base divided by the number of square miles of land area in the county.
 - (8) "County wealth as a percentage of State average wealth" shall be computed as follows:
 - a. Compute the percentage that the county per capita income is of the State per capita income and weight the resulting percentage by a factor of five-tenths.
 - b. Compute the percentage that the anticipated total county revenue availability per student is of the anticipated State average revenue availability per student and weight the resulting percentage by a factor of four-tenths.
 - c. Compute the percentage that the county-adjusted property tax base per square mile is of the State-adjusted property tax base per square mile and weight the resulting percentage by a factor of one-tenth.
 - d. Add the three weighted percentages to derive the county wealth as a percentage of the State average wealth.

- (9) "Effective county tax rate" means the actual county tax rate multiplied by a weighted average of the three most recent annual sales assessment ratio studies.
- (10) "Effective State average tax rate" means the average of effective county tax rates for all counties.
- (11) "Local current expense funds" means the most recent county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.
- (12) "Per capita income" means the average for the most recent three years for which data are available of the per capita income according to the most recent report of the United States Department of Commerce, Bureau of Economic Analysis, including any reported modifications for prior years as outlined in the most recent report.
- (13) "Sales assessment ratio studies" means sales assessment ratio studies performed by the Department of Revenue under G.S. 105-289(h).
- (14) "State average current expense appropriations per student" means the most recent State total of county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.
- (15) "State average adjusted property tax base per square mile" means the sum of the county-adjusted property tax bases for all counties divided by the number of square miles of land area in the State.
- (16) "Supplant" means to decrease local per student current expense appropriations from one fiscal year to the next fiscal year.
- (17) "Weighted average of the three most recent annual sales assessment ratio studies" means the weighted average of the three most recent annual sales assessment ratio studies in the most recent years for which county current expense appropriations and adjusted property tax valuations are available. If real property in a county has been revalued one year prior to the most recent sales assessment ratio study, a weighted average of the two most recent sales assessment ratios shall be used. If property has been revalued the year of the most recent sales assessment ratio study, the sales assessment ratio for the year of revaluation shall be used.

SECTION 8.3.(c) Eligibility for Funds. – Except as provided in subsection (g) of this section, the State Board of Education shall allocate these funds to local school administrative units located in whole or in part in counties in which the county wealth as a percentage of the State average wealth is less than one hundred percent (100%).

SECTION 8.3.(d) Allocation of Funds. – Except as provided in subsection (f) of this section, the amount received per average daily membership for a county shall be the difference between the State average current expense appropriations per student and the current expense appropriations per student that the county could provide given the county's wealth and an average effort to fund public schools. (To derive the current expense appropriations per student that the county could be able to provide given the county's wealth and an average effort to fund public schools, multiply the county's wealth as a percentage of State average wealth by the State average current expense appropriations per student.) The funds for the local school administrative units located in whole or in part in the county shall be allocated to each local school administrative unit located in whole or in part in the county based on the average daily membership of the county's students in the school units. If the funds appropriated for supplemental funding are not adequate to fund the formula fully, each local school

administrative unit shall receive a pro rata share of the funds appropriated for supplemental funding.

SECTION 8.3.(e) Formula for Distribution of Supplemental Funding Pursuant to This Section Only. – The formula in this section is solely a basis for distribution of supplemental funding for low-wealth counties and is not intended to reflect any measure of the adequacy of the educational program or funding for public schools. The formula is also not intended to reflect any commitment by the General Assembly to appropriate any additional supplemental funds for low-wealth counties.

SECTION 8.3.(f) Minimum Effort Required. – A county that (i) maintains an effective county tax rate that is at least one hundred percent (100%) of the effective State average tax rate in the most recent year for which data are available or (ii) maintains a county appropriation per student to the school local current expense fund of at least one hundred percent (100%) of the current expense appropriations per student to the school local current expense fund that the county could provide given the county's wealth and an average effort to fund public schools shall receive full funding under this section. A county that maintains a county appropriation per student to the school local current expense fund of less than one hundred percent (100%) of the current expense appropriations per student to the school local current expense fund that the county could provide given the county's wealth and an average effort to fund public schools shall receive funding under this section at the same percentage that the county's appropriation per student to the school local current expense fund is of the current expense appropriations per student to the school local current expense fund that the county could provide given the county's wealth and an average effort to fund public schools.

SECTION 8.3.(g) Nonsupplant Requirement. – A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds. For the 2015-2017 fiscal biennium, the State Board of Education shall not allocate funds under this section to a county found to have used these funds to supplant local per student current expense funds. The State Board of Education shall make a finding that a county has used these funds to supplant local current expense funds in the prior year, or the year for which the most recent data are available, if all of the following criteria apply:

- (1) The current expense appropriation per student of the county for the current year is less than ninety-five percent (95%) of the average of local current expense appropriation per student for the three prior fiscal years.
- (2) The county cannot show (i) that it has remedied the deficiency in funding or (ii) that extraordinary circumstances caused the county to supplant local current expense funds with funds allocated under this section.

The State Board of Education shall adopt rules to implement the requirements of this subsection.

SECTION 8.3.(h) Funds for EVAAS Data. – Notwithstanding the requirements of subsection (a) of this section, local school administrative units may utilize funds allocated under this section to purchase services that allow for extraction of data from the Education Value-Added Assessment System (EVAAS).

SECTION 8.3.(i) Reports. – For the 2015-2017 fiscal biennium, the State Board of Education shall report to the Fiscal Research Division prior to May 15 of each year if it determines that counties have supplanted funds.

SECTION 8.3.(j) Department of Revenue Reports. – The Department of Revenue shall provide to the Department of Public Instruction a preliminary report for the current fiscal year of the assessed value of the property tax base for each county prior to March 1 of each year and a final report prior to May 1 of each year. The reports shall include for each county the annual sales assessment ratio and the taxable values of (i) total real property, (ii) the portion of total real property represented by the present-use value of agricultural land, horticultural land,

and forestland, as defined in G.S. 105-277.2, (iii) property of public service companies determined in accordance with Article 23 of Chapter 105 of the General Statutes, and (iv) personal property.

SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING

SECTION 8.4.(a) Allotment Schedule for the 2015-2017 Fiscal Biennium. – Except as otherwise provided in subsection (d) of this section, each eligible county school administrative unit shall receive a dollar allotment according to the following schedule:

Allotted ADM	Small County Allotment
0-600	\$ 1,710,000
601-1,300	\$ 1,820,000
1,301-1,700	\$ 1,548,700
1,701-2,000	\$ 1,600,000
2,001-2,300	\$ 1,560,000
2,301-2,600	\$ 1,470,000
2,601-2,800	\$ 1,498,000
2,801-3,200	\$ 1,548,000

SECTION 8.4.(b) Phase-Out Provision for the 2015-2016 Fiscal Year. – If a local school administrative unit becomes ineligible for funding under the schedule in subsection (a) of this section in the 2015-2016 fiscal year, funding for that unit shall be phased out over a five-year period. Funding for such local administrative units shall be reduced in equal increments in each of the five years after the local administrative unit becomes ineligible. Funding shall be eliminated in the fifth fiscal year after the local administrative unit becomes ineligible.

Allotments for eligible local school administrative units under this subsection shall not be reduced by more than twenty percent (20%) of the amount received in fiscal year 2014-2015 in any fiscal year.

SECTION 8.4.(c) Phase-Out Provision for the 2016-2017 Fiscal Year. – If a local school administrative unit becomes ineligible for funding under the schedule in subsection (a) of this section in the 2016-2017 fiscal year, funding for that unit shall be phased out over a five-year period. Funding for such local administrative units shall be reduced in equal increments in each of the five years after the local administrative unit becomes ineligible. Funding shall be eliminated in the fifth fiscal year after the local administrative unit becomes ineligible.

Allotments for eligible local school administrative units under this subsection shall not be reduced by more than twenty percent (20%) of the amount received in fiscal year 2015-2016 in any fiscal year.

SECTION 8.4.(d) Nonsupplant Requirement for the 2015-2017 Fiscal Biennium. – A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds. For the 2015-2017 fiscal biennium, the State Board of Education shall not allocate funds under this section to a county found to have used these funds to supplant local per student current expense funds. The State Board of Education shall make a finding that a county has used these funds to supplant local current expense funds in the prior year, or the year for which the most recent data are available, if all of the following criteria apply:

- (1) The current expense appropriation per student of the county for the current year is less than ninety-five percent (95%) of the average of local current expense appropriation per student for the three prior fiscal years.
- (2) The county cannot show (i) that it has remedied the deficiency in funding or (ii) that extraordinary circumstances caused the county to supplant local current expense funds with funds allocated under this section.

The State Board of Education shall adopt rules to implement the requirements of this subsection.

SECTION 8.4.(e) Reports. – For the 2015-2017 fiscal biennium, the State Board of Education shall report to the Fiscal Research Division prior to May 15 of each fiscal year if it determines that counties have supplanted funds.

SECTION 8.4.(f) Use of Funds. – Local boards of education are encouraged to use at least twenty percent (20%) of the funds they receive pursuant to this section to improve the academic performance of children who are performing at Level I or II on either reading or mathematics end-of-grade tests in grades three through eight.

Local school administrative units may also utilize funds allocated under this section to purchase services that allow for extraction of data from the Education Value-Added Assessment System (EVAAS).

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING (DSSF)

SECTION 8.5.(a) Funds appropriated for disadvantaged student supplemental funding shall be used, consistent with the policies and procedures adopted by the State Board of Education, only to do the following:

- (1) Provide instructional positions or instructional support positions and/or professional development.
- (2) Provide intensive in-school and/or after-school remediation.
- (3) Purchase diagnostic software and progress-monitoring tools.
- (4) Provide funds for teacher bonuses and supplements. The State Board of Education shall set a maximum percentage of the funds that may be used for this purpose.

The State Board of Education may require local school administrative units receiving funding under the Disadvantaged Student Supplemental Fund to purchase the Education Value-Added Assessment System (EVAAS) in order to provide in-depth analysis of student performance and help identify strategies for improving student achievement. This data shall be used exclusively for instructional and curriculum decisions made in the best interest of children and for professional development for their teachers and administrators.

SECTION 8.5.(b) Funds appropriated to a local school administrative unit for disadvantaged student supplemental funding (DSSF) shall be allotted based on (i) the unit's eligible DSSF population and (ii) the difference between a teacher-to-student ratio of 1:21 and the following teacher-to-student ratios:

- (1) For counties with wealth greater than ninety percent (90%) of the statewide average, a ratio of 1:19.9.
- (2) For counties with wealth not less than eighty percent (80%) and not greater than ninety percent (90%) of the statewide average, a ratio of 1:19.4.
- (3) For counties with wealth less than eighty percent (80%) of the statewide average, a ratio of 1:19.1.
- (4) For local school administrative units receiving DSSF funds in fiscal year 2005-2006, a ratio of 1:16. These local school administrative units shall receive no less than the DSSF amount allotted in fiscal year 2006-2007.

For the purpose of this subsection, wealth shall be calculated under the low-wealth supplemental formula as provided for in this act.

SECTION 8.5.(c) If a local school administrative unit's wealth increases to a level that adversely affects the unit's disadvantaged student supplemental funding (DSSF) allotment ratio, the DSSF allotment for that unit shall be maintained at the prior year level for one additional fiscal year.

LITIGATION RESERVE FUNDS

1 **SECTION 8.6.** The State Board of Education may expend up to five hundred
2 thousand dollars (\$500,000) each year for the 2015-2016 and 2016-2017 fiscal years from
3 unexpended funds for licensed employees' salaries to pay expenses related to litigation.

4
5 **UNIFORM EDUCATION REPORTING SYSTEM (UERS) FUNDS**

6 **SECTION 8.7.** Funds appropriated for the Uniform Education Reporting System
7 (UERS) for the 2015-2017 fiscal biennium shall not revert at the end of each fiscal year but
8 shall remain available until expended.

9
10 **COOPERATIVE INNOVATIVE HIGH SCHOOLS**

11 **SECTION 8.8.** G.S. 115C-238.54 is amended by adding a new subsection to read:
12 "(j) Any State funds appropriated for cooperative innovative high schools shall not be
13 adjusted to reflect legislative salary increments, retirement rate adjustments, and health benefit
14 adjustments for school personnel, unless specifically provided for by the General Assembly."

15
16 **FUNDS FOR EVAAS IN GRADES K-2**

17 **SECTION 8.9.** The State Board of Education may use funds appropriated to the
18 Department of Public Instruction under this act to implement the requirements of the Excellent
19 Public Schools Act, established under Part 7A of S.L. 2012-142, as amended by Sections 2.1
20 and 2.5 of S.L. 2012-145 and Section 9.4 of S.L. 2013-360, to provide access to the Education
21 Value-Added Assessment System for kindergarten, first, and second grades.

22
23 **NORTH CAROLINA VIRTUAL PUBLIC SCHOOL (NCVPS) REVENUES**

24 **SECTION 8.10.** G.S. 66-58 reads as rewritten:

25 **"§ 66-58. Sale of merchandise or services by governmental units.**

26 (a) Except as may be provided in this section, it shall be unlawful for any unit,
27 department or agency of the State government, or any division or subdivision of the unit,
28 department or agency, or any individual employee or employees of the unit, department or
29 agency in his, or her, or their capacity as employee or employees thereof, to engage directly or
30 indirectly in the sale of goods, wares or merchandise in competition with citizens of the State,
31 or to engage in the operation of restaurants, cafeterias or other eating places in any building
32 owned by or leased in the name of the State, or to maintain service establishments for the
33 rendering of services to the public ordinarily and customarily rendered by private enterprises,
34 or to provide transportation services, or to contract with any person, firm or corporation for the
35 operation or rendering of the businesses or services on behalf of the unit, department or agency,
36 or to purchase for or sell to any person, firm or corporation any article of merchandise in
37 competition with private enterprise. The leasing or subleasing of space in any building owned,
38 leased or operated by any unit, department or agency or division or subdivision thereof of the
39 State for the purpose of operating or rendering of any of the businesses or services herein
40 referred to is hereby prohibited.

41 (b) The provisions of subsection (a) of this section shall not apply to:

- 42 (1) Counties and municipalities.
43 (2) The Department of Health and Human Services or the Department of
44 Agriculture and Consumer Services for the sale of serums, vaccines, and
45 other like products.
46 (3) The Department of Administration, except that the agency shall not exceed
47 the authority granted in the act creating the agency.
48 (4) The State hospitals for the mentally ill.
49 (5) The Department of Health and Human Services.
50 (6) The North Carolina School for the Blind at Raleigh.
51 (6a) The Division of Juvenile Justice of the Department of Public Safety.

- 1 (7) The North Carolina Schools for the Deaf.
2 (7a) The North Carolina Virtual Public School.
3 ...
4 (c) The provisions of subsection (a) shall not prohibit:
5 ...
6 (20) ~~The sale by the State Board of Education of NCVPS courses to home~~
7 ~~schools, private schools, and out of state educational entities.~~
8"
9

10 NCVPS ALTERNATIVE FUNDING FORMULA

11 **SECTION 8.11.(a)** Notwithstanding Section 7.22(d) of S.L. 2011-145, as amended
12 by Section 8.9 of S.L. 2013-360, the State Board of Education may adopt an alternative funding
13 formula for the North Carolina Virtual Public School (NCVPS) for use by local school
14 administrative units and charter schools. A local school administrative unit or charter school
15 may elect to use the alternative funding formula in lieu of the funding formula adopted by the
16 State Board pursuant to Section 7.22(d) of S.L. 2011-145, as amended by Section 8.9 of S.L.
17 2013-360.

18 **SECTION 8.11.(b)** If any local school administrative unit or charter school elects
19 to adopt the alternative funding formula as provided under subsection (a) of this section, the
20 superintendent of the local school administrative unit or the executive officer of the charter
21 school, as applicable, shall submit a written statement confirming selection of the alternative
22 funding formula to the North Carolina Virtual Public School administrative office no later than
23 May 1 each year to be eligible to apply the alternative formula in the subsequent fiscal year.

24 **SECTION 8.11.(c)** This section applies beginning with the 2016-2017 school year.
25

26 COMPETENCY-BASED LEARNING AND ASSESSMENTS

27 **SECTION 8.12.(a)** It is the intent of the General Assembly to transition to a
28 system of testing and assessments applicable for all elementary and secondary public school
29 students that utilizes competency-based learning assessments to measure student performance
30 and student growth, whenever practicable. The competency-based student assessment system
31 should provide that (i) students advance upon mastery, (ii) competencies are broken down into
32 explicit and measurable learning objectives, (iii) assessment is meaningful for students, (iv)
33 students receive differentiated support based on their learning needs, and (v) learning outcomes
34 emphasize competencies that include the application and creation of knowledge.

35 **SECTION 8.12.(b)** In order to develop the use of competency-based assessments
36 for all elementary and secondary public school students in North Carolina in accordance with
37 subsection (a) of this section, the State Board of Education is encouraged to evaluate the
38 feasibility of integrating competency-based assessments for use in local school administrative
39 units and as part of the statewide testing system for measuring student performance and student
40 growth. The State Board may examine competency-based student assessment systems utilized
41 in other states, including potential benefits and obstacles to implementing similar systems in
42 North Carolina, and the relationship between competency-based assessments and innovative
43 teaching methods utilized in North Carolina schools, such as blended learning models and
44 digital teaching tools.
45

46 NO DECREASE IN SALARY FOR ASSISTANT PRINCIPALS WHO BECOME 47 PRINCIPALS

48 **SECTION 8.13.(a)** G.S. 115C-285(a) is amended by adding a new subdivision to
49 read:

"(9) An assistant principal who becomes a principal without a break in service shall be paid, on a monthly basis, at least as much as he or she would earn as an assistant principal employed by that local school administrative unit."

SECTION 8.13.(b) This section applies to all assistant principals who become employed as principals without a break in service on or after July 1, 2015.

COLLABORATIVE PROCUREMENT

SECTION 8.14.(a) Section 7.6 of S.L. 2013-360, as amended by Section 91 of S.L. 2014-115, is repealed.

SECTION 8.14.(b) The Department of Public Instruction shall collaborate with the Friday Institute for Educational Innovation of North Carolina State University to implement public school cooperative purchasing agreements for the procurement of information technology (IT) goods and services to support public schools. For purposes of this section, the phrase "public school cooperative purchasing agreement" means an agreement implemented pursuant to this section and available for local school administrative units, regional schools, charter schools, or some combination thereof providing for collaborative or collective purchases of information technology goods and services in order to leverage economies of scale and to reduce costs.

SECTION 8.14.(c) Each public school cooperative purchasing agreement shall be based on a defined statewide information technology need to support education in the public schools. Each public school cooperative purchasing agreement shall allow for equal access to technology tools and services and shall provide a standard competitive cost throughout North Carolina for each tool or service. Public school cooperative purchasing agreements shall follow State information technology procurement laws, rules, and procedures.

SECTION 8.14.(d) By October 15, 2015, and annually thereafter, the Department of Public Instruction and the Friday Institute shall report on the establishment of the cooperative purchasing agreements, savings resulting from the establishment of the agreements, and any issues impacting the establishment of the agreements. The reports shall be made to the Joint Legislative Oversight Committee on Information Technology, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division.

CHARTER SCHOOL ACCELERATOR GRANT PROGRAM

SECTION 8.15.(a) Parents for Educational Freedom in North Carolina, Inc. (PEFNC), shall use up to one million dollars (\$1,000,000) for the 2015-2016 fiscal year and up to one million dollars (\$1,000,000) in the 2016-2017 fiscal year from funds made available to it under this act to provide grant funding to participants for the development of up to 10 charter schools located in counties with local school administrative units that currently have a grade level proficiency less than or equal to sixty-five percent (65%) on end-of-grade and end-of-course tests. State funds shall only be used to provide grants to participants in the pilot program and shall not be used by PEFNC for its overhead costs in administering the program.

SECTION 8.15.(b) PEFNC shall require that grant recipients participating in the pilot program meet at least all of the following conditions:

- (1) The recipient has been approved by the State Board of Education to operate a charter school.
- (2) The charter school shall be located in a county with a local school administrative unit that currently has a grade level proficiency less than or equal to sixty-five percent (65%) on end-of-grade and end-of-course tests.
- (3) The recipient charter school shall be subject to audit oversight by the State Auditor.

SECTION 8.15.(c) PEFNC may provide grants of up to two hundred thousand dollars (\$200,000) to recipients for charter schools for the initial planning year and for charter

schools approved by the State Board of Education for the charter school fast-track replication process.

SECTION 8.15.(d) By March 15, 2016, and annually thereafter, PEFNC shall submit to the Joint Legislative Education Oversight Committee a report on the progress of the pilot program, an accounting of expenditures, and the status of grant recipients.

TEACHER EDUCATION PREPARATION REDESIGN

SECTION 8.16.(a) The State Board of Education shall issue a request for proposals from approved teacher education programs at constituent institutions of The University of North Carolina to participate in a redesign of a teacher education program at a constituent institution. A constituent institution seeking to participate shall provide a detailed proposal of how the constituent institution will revise the program to ensure that graduates are prepared to be highly effective teachers immediately upon entering the classroom. The proposal shall include at least the following information:

- (1) Detailed plans for vigorous recruitment strategies and stringent admissions criteria to ensure that only outstanding candidates with strong academic credentials are admitted to the teacher education program.
- (2) Proposed revisions to curriculum, including (i) examples of cooperation with other departments and colleges outside the teacher education program; (ii) coursework in candidates' major course of study that are successfully completed in the relevant college or university department rather than through the teacher education program; and (iii) close cooperation with local school administrative units and schools to ensure that teacher education students are effectively prepared in content area knowledge applicable to their future profession.
- (3) Redesign of clinical experiences to ensure that teacher education students have embedded classroom experiences spanning the course of one instructional year in a partner elementary or secondary school setting mentored by teachers who have been identified as highly effective on the North Carolina teacher evaluation rubric, that clinical coursework is reflective and connected to embedded classroom experiences, and that a nationally normed and valid pedagogy assessment is used to determine clinical practice performance.

SECTION 8.16.(b) A constituent institution that submits a proposal under subsection (a) of this section must commit to (i) implementation of the redesign of the teacher education program beginning in the 2016-2017 academic year and (ii) beginning October 1 following the graduation of the first cohort to complete the redesigned program, reporting to the State Board of Education and the Joint Legislative Education Oversight Committee on outcomes of graduates of the redesigned program for five years after graduation. Graduate outcomes shall include, at a minimum, academic growth of the students for which the graduate serves as teacher of record and recruitment, retention, and evaluation ratings of each student cohort.

SECTION 8.16.(c) The State Board of Education shall require proposals to be submitted no later than October 15, 2015. The State Board shall select one constituent institution of The University of North Carolina to award one hundred thousand dollars (\$100,000) in recurring funds for the 2015-2016 and 2016-2017 fiscal years no later than December 15, 2015, for personnel and other costs associated with the redesign of the teacher education program in accordance with this section.

SECTION 8.16.(d) The constituent institution selected by the State Board of Education for the award of funds under this section shall report to the State Board of Education

and the Joint Legislative Education Oversight Committee on the redesign and implementation of the teacher education program by December 31, 2017.

STATEWIDE MICROSOFT® OFFICE COOPERATIVE AGREEMENT

SECTION 8.17. The Department of Public Instruction shall enter into a statewide cooperative purchasing agreement to provide Microsoft® Office products to students, teachers, and other school personnel in the North Carolina public schools, including charter schools, at no cost to local school administrative units, charter schools, school personnel, and students.

REVISE THE DESIGNATION OF THE TEXTBOOK FUNDING ALLOTMENT

SECTION 8.18.(a) Effective July 1, 2015, the existing Textbooks funding allotment in the State Public School Fund shall be designated as the Textbooks and Digital Resources funding allotment in the State Public School Fund.

SECTION 8.18.(b) The State Board of Education shall adopt a policy to establish the purposes for which the funds within the new Textbooks and Digital Resources funding allotment may be used, which shall include the same purposes as were permitted under the Textbooks funding allotment as of June 30, 2015.

BONUSES FOR INDUSTRY CERTIFICATIONS AND CREDENTIALS PROGRAM

SECTION 8.19.(a) G.S. 115C-156.2 reads as rewritten:

"§ 115C-156.2. Industry certifications and credentials program.

(a) It is the intent of the State to encourage students to enroll in and successfully complete rigorous coursework and credentialing processes in career and technical education to enable success in the workplace. To attain this goal, to the extent funds are made available for this purpose, students shall be supported to earn approved industry certifications and ~~credentials~~ credentials and teachers shall receive bonuses for each student who earns an approved industry certification or credential as follows:

- (1) Students enrolled in public schools and in career and technical education courses shall be exempt from paying any fees for one administration of examinations leading to industry certifications and credentials pursuant to rules adopted by the State Board of Education.
- (2) Each school year, at such time as agreed to by the Department of Commerce and the State Board of Education, the Department of Commerce shall provide the State Board of Education with a list of those occupations in high need of additional skilled employees. If the occupations identified in such list are not substantially the same as those occupations identified in the list from the prior year, reasonable notice of such changes shall be provided to local school administrative units.
- (3) Local school administrative units shall consult with their local industries, employers, and workforce development boards to identify industry certification and credentials that the local school administrative unit may offer to best meet State and local workforce needs.
- (4) Bonuses shall be awarded to teachers of students earning approved industry certifications or credentials, pursuant to rules adopted by the State Board of Education. No teacher shall be awarded bonuses pursuant to this subdivision that exceeds two thousand dollars (\$2,000) in any given school year. Direct instruction teacher bonuses shall be provided in the following amounts:
 - a. A bonus in the amount of twenty-five dollars (\$25.00) for each student taught by a teacher who provided instruction in a course that led to the attainment of an industry certification with a twenty-five-dollar (\$25.00) value ranking.

b. A bonus in the amount of fifty dollars (\$50.00) for each student taught by a teacher who provided instruction in a course that led to the attainment of an industry certification with a fifty-dollar (\$50.00) value ranking.

(5) The Department of Commerce, in consultation with the State Board of Education, shall assign a value ranking for each industry certification based on academic rigor and employment value in accordance with this subdivision. Fifty percent (50%) of the ranking shall be based on academic rigor and the remaining fifty percent (50%) on employment value. Academic rigor and employment value shall be based on the following elements:

a. Academic rigor shall be based on the number of instructional hours, including work experience or internship hours, required to earn the industry certification or credential, with a bonus given for coursework that also provides community college credit.

b. Employment value shall be based on the entry wage, growth rate in employment for each occupational category, and average annual openings for the primary occupation linked with the industry certification or credential.

(b) ~~Beginning in 2014, the State Board of Education shall report to the Joint Legislative Education Oversight Committee by September 15 of each year on the number of students in career and technical education courses who earned (i) community college credit and (ii) related industry certifications and credentials."~~

SECTION 8.19.(b) This section applies beginning with the 2015-2016 school year.

ADVANCED PLACEMENT/INTERNATIONAL BACCALAUREATE TEACHER BONUSES

SECTION 8.20.(a) G.S. 115C-174.26 reads as rewritten:

"§ 115C-174.26. Advanced courses.

(a) It is the intent of the State to enhance accessibility and encourage students to enroll in and successfully complete more rigorous advanced courses to enable success in postsecondary education for all students. For the purposes of this section, an advanced course is an Advanced Placement or International Baccalaureate Diploma Programme course. To attain this goal, to the extent funds are made available for this purpose, the following shall be provided:

(1) ~~students~~ Students enrolled in public schools shall be exempt from paying any fees for administration of examinations for advanced courses and registration fees for advanced courses in which the student is enrolled regardless of the score the student achieves on an examination.

(2) Bonuses shall be awarded to teachers of advanced courses according to the following:

a. A bonus in the amount of fifty dollars (\$50.00) for each student taught by an advanced course teacher in each advanced course who receives the following score:

1. For Advanced Placement courses, a score of three or higher on the College Board Advanced Placement Examination.

2. For International Baccalaureate Diploma Programme courses, a score of four or higher on the International Baccalaureate course examination.

b. No teacher shall be awarded bonuses pursuant to this subdivision that exceeds two thousand dollars (\$2,000) in any given school year. The bonus awarded to a teacher pursuant to this subdivision shall be in

addition to any regular wage or other bonus the teacher receives or is scheduled to receive.

...
(h) ~~Beginning October 15 November 15, 2014, the State Board of Education shall report annually to the Joint Legislative Education Oversight Committee on advanced courses in North Carolina. The report shall include, at a minimum, the following information:~~

- ~~(1) The North Carolina Advanced Placement Partnership's report to the Department of Public Instruction as required by subsection (g) of this section and the State Board's assessment of that report.~~
- ~~(2) Number of students enrolled in advanced courses and participating in advanced course examinations, including demographic information by gender, race, and free and reduced price lunch status.~~
- ~~(3) Student performance on advanced course examinations, including information by course, local school administrative unit, and school.~~
- ~~(4) Number of students participating in 10th grade PSAT/NMSQT testing.~~
- ~~(5) Number of teachers attending summer institutes offered by the North Carolina Advanced Placement Partnership.~~
- ~~(6) Distribution of funding appropriated for advanced course testing fees and professional development by local school administrative unit and school.~~
- ~~(7) Status and efforts of the North Carolina Advanced Placement Partnership.~~
- ~~(8) Other trends in advanced courses and examinations."~~

SECTION 8.20.(b) This section applies beginning with the 2015-2016 school year.

READ TO ACHIEVE

SECTION 8.21.(a) G.S. 115C-83.3 reads as rewritten:

"§ 115C-83.3. Definitions.

The following definitions apply in this Part:

...
(2) "Alternative assessment" means a valid and reliable standardized assessment of reading comprehension, approved by the State Board of Education, that is not the same test as the State-approved standardized test of reading comprehension administered to third grade students. The State Board of Education shall (i) provide several valid and reliable alternative assessments to local school administrative units upon request, (ii) approve valid and reliable alternative assessments submitted by local school administrative units, and (iii) establish achievement level ranges for each approved alternative assessment. The State Board of Education shall annually review all alternative assessments to ensure ongoing relevance, validity, and reliability. The State Board of Education shall complete the review and approval process as provided in this subdivision by September 15 of each year.

...
(8) "Student reading portfolio" means a compilation of independently produced student work selected by the student's teacher, beginning during the first half of the school year, and signed by the teacher and principal, as an accurate picture of the student's reading ~~ability. proficiency.~~ The student reading portfolio shall include an organized collection of evidence of the student's ~~mastery of the State's reading standards that are assessed by the State-approved standardized test of reading comprehension administered to third grade students. reading proficiency.~~ A single piece of evidence may be used to show mastery of reading proficiency for up to two standards. For

each ~~benchmark~~, reading standard, there shall be ~~three~~ two examples of student ~~work~~ work, gathered over the course of the school year, demonstrating ~~mastery by a grade of seventy percent (70%) or above~~ the student's reading proficiency. If a student correctly responds to eighty percent (80%) of the comprehension questions about one reading passage as used as an initial work sample, then that one work sample shall suffice to demonstrate student reading proficiency on the standards covered in that sample. A student reading portfolio shall only be compiled with students when it is determined that administration of a standardized test of reading comprehension would likely not yield positive findings of a student's reading proficiency.

...."

SECTION 8.21.(b) G.S. 115C-83.6 reads as rewritten:

"§ 115C-83.6. Facilitating early grade reading proficiency.

(a) Kindergarten, first, second, and third grade students shall be assessed with valid, reliable, formative, and diagnostic reading assessments made available to local school administrative units by the State Board of Education pursuant to G.S. 115C-174.11(a). Difficulty with reading development identified through administration of formative and diagnostic assessments shall be addressed with instructional supports and services. To the greatest extent possible, kindergarten through third grade reading assessments shall yield data that can be used with the Education Value-Added Assessment System (EVAAS), or a compatible and comparable system approved by the State Board of Education, to analyze student data to identify root causes for difficulty with reading development and to determine actions to address them.

(b) Formative and diagnostic assessments and resultant instructional supports and services shall address oral language, phonological and phonemic awareness, phonics, vocabulary, fluency, and comprehension using developmentally appropriate practices.

(c) Local school administrative units are encouraged to partner with community organizations, businesses, and other groups to provide volunteers, mentors, or tutors to assist with the provision of instructional supports and services that enhance reading development and proficiency.

(d) The teacher of record for a kindergarten, first, second, or third grade student shall not be prohibited from administering the assessments made available to local school administrative units in subsection (a) of this section to that student."

SECTION 8.21.(c) G.S. 115C-83.7(b)(4) reads as rewritten:

"(4) Students who demonstrate, through a student reading portfolio, reading proficiency appropriate for third grade students. Student reading portfolio and review processes used by local school administrative units shall be approved by the State Board of Education. A local school administrative unit implementing the student reading portfolio process established by the State Board of Education shall limit the use of this portfolio process only to a student for whom it is appropriate as determined by the student's principal, after consulting with the teacher and the student's parents, and shall discontinue administration of the portfolio passages whenever a student is not demonstrating reading proficiency."

SECTION 8.21.(d) G.S. 115C-83.8(a) reads as rewritten:

"(a) Parents or guardians of students not demonstrating reading proficiency shall be encouraged to enroll their student in a reading camp provided by the local school administrative unit. Parents or guardians of a student not demonstrating reading proficiency shall make the final decision regarding a student's reading camp attendance. If a parent or guardian does not enroll the student in a reading camp, the parent shall notify the school in which the student is

enrolled of any alternative reading interventions or instructional supports that shall be provided to the student to achieve reading proficiency. Local school administrative units shall provide at least one opportunity for students not participating in a reading camp to demonstrate reading proficiency appropriate for third grade students on an alternative assessment or through a student reading portfolio process approved by the State Board of Education prior to retaining the student."

SECTION 8.21.(e) G.S. 115C-83.9(d) reads as rewritten:

"(d) Teachers and principals shall provide opportunities, including, but not limited to, information sessions, to discuss with parents and guardians the notifications listed in this section. Principals shall provide at least one information session within the first 30 days of school regarding the requirement for reading proficiency for third grade students."

SECTION 8.21.(f) G.S. 115C-174.11 reads as rewritten:

"§ 115C-174.11. Components of the testing program.

(a) Assessment Instruments for Kindergarten, First, Second, and Third Grades. – The State Board of Education shall develop, adopt, and provide to the local school administrative units developmentally appropriate individualized assessment instruments consistent with the Basic Education Program and Part 1A of Article 8 of this Chapter for the kindergarten, first, second, and third grades. The State Board shall approve three valid, reliable, formative, and diagnostic reading assessment instruments for selection by local school administrative units in accordance with the following:

(1) Each approved assessment instrument shall provide initial assessments, interim formative assessments, and progress monitoring capabilities.

(2) In determining which instruments to approve for use by local school administrative units, the State Board shall also consider at least the following factors:

a. The time required to conduct formative and diagnostic assessments with the intention of minimizing the impact on instructional time.

b. The level of integration of assessment results with instructional support for teachers and students.

c. The timeliness in reporting assessment results to teachers and administrators.

d. The ability to provide timely assessment results to parents and guardians.

(3) In no case shall an assessment instrument be approved for use by local school administrative units if the cost of the assessment instrument, including related instructional content, materials, and resources for teachers and students, exceeds the funds appropriated for this purpose divided by the projected enrollment of students in kindergarten, first, second, and third grades.

(a1) Each local school administrative unit shall select one valid, reliable, formative, and diagnostic reading assessment from the three assessment instruments approved by the State Board under subsection (a) of this section. Local school administrative units shall use these the assessment instruments provided to them by the State Board for kindergarten, first, second, and third grade students to assess progress, diagnose difficulties, and inform instruction and remediation needs. Local school administrative units shall not use standardized tests for summative assessment of kindergarten, first, and second grade students except as required as a condition of receiving federal grants.

...."

SECTION 8.21.(g) Subsections (a) through (e) of this section apply beginning with the 2015-2016 school year. Subsection (f) of this section applies beginning with the 2016-2017 school year.

TWELVE-MONTH PERSONNEL POSITIONS FOR VOCATIONAL AGRICULTURE TEACHERS

SECTION 8.22. G.S. 115C-302.1(b) reads as rewritten:

"(b) Salary Payments. – State-allotted teachers shall be paid for a term of 10 months. State-allotted months of employment for vocational education to local boards shall be used for the employment of teachers of vocational and technical education for a term of employment to be determined by the local boards of education. However, local boards shall not reduce the term of employment for any vocational agriculture teacher personnel position that was 12 calendar months for the 1982-83 school year for any school year thereafter. In addition, local boards shall not reduce the term of employment for any vocational agriculture teacher personnel position that was 12 calendar months for the 2003-2004 school year for any school year thereafter. In addition, local boards shall not reduce the term of employment for any vocational agriculture teacher personnel position that was 12 calendar months for the 2014-2015 school year for any school year thereafter.

Each local board of education shall establish a set date on which monthly salary payments to State-allotted teachers shall be made. This set pay date may differ from the end of the month of service. The daily rate of pay for teachers shall equal midway between one twenty-first and one twenty-second of the monthly rate of pay. Except for teachers employed in a year-round school or paid in accordance with a year-round calendar, or both, the initial pay date for teachers shall be no later than August 31 and shall include a full monthly payment. Subsequent pay dates shall be spaced no more than one month apart and shall include a full monthly payment.

Teachers may be prepaid on the monthly pay date for days not yet worked. A teacher who fails to attend scheduled workdays or who has not worked the number of days for which the teacher has been paid and who resigns, is dismissed, or whose contract is not renewed shall repay to the local board any salary payments received for days not yet worked. A teacher who has been prepaid and continues to be employed by a local board but fails to attend scheduled workdays may be subject to dismissal under G.S. 115C-325 or other appropriate discipline.

Any individual teacher who is not employed in a year-round school may be paid in 12 monthly installments if the teacher so requests on or before the first day of the school year. The request shall be filed in the local school administrative unit which employs the teacher. The payment of the annual salary in 12 installments instead of 10 shall not increase or decrease the teacher's annual salary nor in any other way alter the contract made between the teacher and the local school administrative unit. Teachers employed for a period of less than 10 months shall not receive their salaries in 12 installments.

Notwithstanding this subsection, the term "daily rate of pay" for the purpose of G.S. 115C-12(8) or for any other law or policy governing pay or benefits based on the teacher salary schedule shall not exceed one twenty-second of a teacher's monthly rate of pay."

EDUCATION-BASED SUPPLEMENTS FOR CERTAIN TEACHERS

SECTION 8.23.(a) Section 8.22 of S.L. 2013-360, as amended by Section 8.3(a) of S.L. 2014-100, is repealed.

SECTION 8.23.(b) Notwithstanding any other provision of law, only the following teachers and instructional support personnel shall be classified as "M" teachers or receive a salary supplement for academic preparation at the six-year degree level or at the doctoral degree level for the 2015-2016 school year and subsequent school years:

- (1) Certified school nurses and instructional support personnel in positions for which a master's degree is required for licensure.

- (2) Teachers and instructional support personnel who were paid on the "M" salary schedule or received that salary supplement prior to the 2014-2015 school year.
- (3) Teachers and instructional support personnel who (i) complete a degree at the master's, six-year, or doctoral degree level for which they completed at least one course prior to August 1, 2013, and (ii) would have qualified for the salary supplement pursuant to State Board of Education policy, TCP-A-006, as it was in effect on June 30, 2013.
- (4) Teachers and instructional support personnel who do not qualify under subdivisions (1), (2), and (3) of this subsection but who spend at least seventy percent (70%) of their work time as follows:
- a. For teachers, in classroom instruction related to their graduate academic preparation in their field or subject area within their area of licensure. Most of the teachers' remaining time shall be spent in one or more of the following:
 1. Mentoring teachers.
 2. Performing demonstration lessons for teachers.
 3. Writing curricula.
 4. Developing and leading staff development programs for teachers.
 - b. For instructional support personnel, performing work within the employee's area of graduate academic preparation.

SECTION 8.23.(c) Beginning with the 2015-2016 fiscal year and subsequent fiscal years thereafter, for teachers who are classified as "M" teachers under subdivision (4) of subsection (b) of this section, determination of whether teachers and instructional support personnel shall be classified as "M" teachers or receive a salary supplement for academic preparation shall take place on an annual basis. Teachers and instructional support personnel may be removed from the classification as an "M" teacher or discontinue receiving salary supplements if they are not meeting the requirements of subdivision (4) of subsection (b) of this section in that year.

SECTION 8.23.(d) Unless an individual otherwise qualifies under subdivision (2) or (3) of subsection (b) of this section, teachers and instructional support personnel who earn an advanced degree in school administration shall not be classified as "M" teachers or receive a salary supplement for academic preparation unless they serve as an assistant principal or principal.

NC ELEVATING EDUCATORS ACT/ADVANCED TEACHING ROLES

SECTION 8.24.(a) Purpose. – The State Board of Education shall establish a three-year pilot program to develop advanced teaching roles in selected local school administrative units to provide for, in addition to base salary and other applicable local supplements, advanced teaching supplements for classroom teachers based on a teacher's demonstrated effectiveness and additional responsibilities in advanced roles. The goal of the pilot is to develop highly effective models for advancement and compensation for teachers that can be used in local school administrative units statewide. The purpose of the program shall be to do at least the following:

- (1) Enable local school administrative units to prototype advanced teaching roles and pay systems for eligible classroom teachers, in addition to base salary and other applicable local supplements, based on a classroom teacher's demonstrated effectiveness and additional responsibilities in reaching more students. For the purposes of this section, a classroom teacher is a teacher who works in the classroom providing instruction at least

seventy percent (70%) of the instructional day and who is not instructional support personnel.

(2) Enable local school administrative units to provide salary supplements and other supports to classroom teachers in advanced teaching roles. Advanced teaching roles shall focus on rewarding excellent teaching with more pay while staying within regular budgetary restraints.

(3) Evaluate local plans to establish and compensate teachers in advanced teaching roles to form the basis for public schools statewide to provide advanced teaching roles that are sustainable for local school administrative units.

SECTION 8.24.(b) Request for Proposal Requirements. – No later than September 15, 2015, the State Board of Education shall develop a Request for Proposal (RFP) for local boards of education to participate in the pilot. Local boards of education shall submit proposals for consideration no later than January 1, 2016. The RFP shall require local boards of education to include in their proposals advanced teaching roles that meet, at a minimum, the following criteria:

(1) Advanced teaching roles eligibility and duties. –

a. Create job classifications for which eligible classroom teachers may apply for advanced teaching roles that include minimum qualifications and specific job responsibilities.

1. Minimum qualifications for advanced teaching roles shall include criteria demonstrating that the individual has had a measurable positive effect on student outcomes and is a qualified classroom teacher as well as an effective collaborator with other staff members. Minimum qualifications shall include at least one of the following:

I. Advanced certifications, such as National Board Certification or a master's degree in the area in which the teacher is licensed and teaching.

II. A rating of at least accomplished on each of the Teacher Evaluation Standards 1-5 on the North Carolina Teacher Evaluation instrument.

III. Exceeding expected student growth based on three years of teacher evaluation data as calculated by the State Board of Education.

2. Job responsibilities for advanced teaching roles may include opportunities for leadership, advising, and mentoring, such as becoming a leader for peers in positions formally accountable for students within their purview, by implementing age-appropriate blended learning and other new staffing models, leading a collaborative teaching community, modeling planning and assessment strategies, serving as an advisor and mentor, helping develop other teachers, completing and sharing action research projects focused on solving a school or classroom level concern for learning, co-teaching across multiple classrooms with other teachers, or coaching other teachers in highly effective instruction through modeling, co-teaching, and reflection.

b. Provide information in a form readily accessible to both teachers and the public on the criteria and procedures for selection for advanced teaching roles.

- c. Establish equally stringent eligibility requirements to remain in an advanced teaching role as those required to initially attain that role.
 - d. Establish a procedure for determining whether a teacher in an advanced teaching role is successfully performing the additional duties associated with that position.
 - e. Ensure that teachers in advanced teaching roles may opt out of the pilot by voluntarily relinquishing the associated additional duties. Voluntary relinquishment of duties associated with advanced teaching roles shall not be considered a demotion under Part 3 or Part 3A of Article 22 of Chapter 115C of the General Statutes.
 - (2) Advanced teaching role supplements. –
 - a. Pay advanced teaching role salary supplements of up to thirty percent (30%) of the State teacher salary schedule.
 - b. Require that advanced teaching role salary supplements be paid as a supplement to the teacher's regular salary and not be included in the average salary calculation used for budgeting State allotments.
 - c. Require that teacher in an advanced teaching role who (i) fails to maintain the minimum criteria established for the position or (ii) is not successfully performing the additional duties associated with the advanced teaching role shall be paid only the salary applicable to him or her on the State salary schedule and any other local supplements that would otherwise apply to the teacher's compensation.
 - d. Require that a teacher who opts out of the advanced teaching role pilot shall be paid only the salary applicable to him or her on the State salary schedule and any other local supplements that would otherwise apply to the teacher's compensation.
 - (3) System goals. – Develop measures for determining how the advanced teaching role plan shall do at least the following:
 - a. Improve the quality of classroom instruction and increase school-wide growth.
 - b. Increase the attractiveness of teaching.
 - c. Encourage the recognition, impact, and retention of high-quality teachers.
 - d. Assist and retain beginning teachers.
 - e. Improve and expand use of technology and digital learning.
 - (4) Implementation requirements. – By the end of the 2016-2017 school year, demonstration of implementation of the advanced teaching role plan in at least five schools or twenty-five percent (25%) of the schools within the local school administrative unit, whichever is less. Implementation is defined as a minimum of seventy-five percent (75%) of students enrolled in schools with the advanced teaching role plan having, as their teacher of record in at least English Language Arts, math, social studies, and science, a classroom teacher who:
 - a. Has an advanced certification, such as National Board Certification or a master's degree in the area in which the teacher is licensed and teaching.
 - b. Has a rating of at least accomplished on each of the Teacher Evaluation Standards 1-5 on the North Carolina Teacher Evaluation instrument.
 - c. Exceeds expected student growth based on three years of teacher evaluation data as calculated by the State Board of Education.

- (5) Sustainability of Pilot Program. – Demonstration of how the local school administrative unit will achieve financial sustainability for the plan developed and implemented in the pilot when grant funds are no longer provided.

SECTION 8.24.(c) Selection of Pilot Units. – By March 15, 2016, the State Board of Education shall review the proposals submitted by local boards of education in accordance with subsection (b) of this section and shall select up to 10 local school administrative units that meet criteria established by the State Board, including plans for incorporating digital tools in classroom instruction to expand learning opportunities and sharing of lessons as follows:

- (1) Up to five local school administrative units with an average daily membership (ADM) equal to or less than 4,000.
- (2) Up to three local school administrative units with an ADM of 4,001 to 20,000.
- (3) Up to two local school administrative units with an ADM of 20,001 or more.

SECTION 8.24.(d) Pilot Implementation. – The selected local school administrative units shall implement their approved pilots beginning with the 2016-2017 school year and ending with the 2018-2019 school year. The local board of education for each selected pilot local school administrative unit shall provide any requested information and access to the independent research organization selected by the State Board of Education to evaluate the pilots.

SECTION 8.24.(e) Use of Grant Funds. – Funds awarded to pilot local school administrative units shall be used for any of the following:

- (1) Salary supplements for advanced teaching roles.
- (2) Development of advanced teaching role plans.
- (3) Transition costs associated with designing and implementing advanced teaching role models in schools within the local school administrative unit. Transition costs may include employing staff members or contractors to assist with design and implementation of the pilot plan.

SECTION 8.24.(f) Pilot Evaluation. – The State Board of Education shall contract with an independent research organization to evaluate how the advanced teaching role pilots have accomplished, at a minimum, the following:

- (1) Improvement in the quality of classroom instruction and increases in school-wide growth.
- (2) An increase in the attractiveness of teaching.
- (3) Recognition, impact, and retention of high quality teachers.
- (4) Assistance to and retention of beginning teachers.
- (5) Improvement in and expansion of use of technology and digital learning.

The independent research organization shall report annually beginning October 15, 2016, until the conclusion of the pilot, to the State Board of Education on all aspects of the implementation and evaluation of the pilot. The independent research organization shall also evaluate, as part of the annual report, the existing Project LIFT, Inc., program in the Charlotte-Mecklenburg local school administrative unit and the proposed Project Advance in the Chapel Hill-Carrboro City Schools, if that project is implemented. The State Board of Education shall provide the annual report to the offices of the President Pro Tempore of the Senate and the Speaker of the House of Representatives, the Senate Appropriations/Base Budget Committee, the House Committee on Appropriations, the Senate Appropriations Committee on Education/Higher Education, the House Appropriations Subcommittee on Education, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee.

SECTION 8.24.(g) Appropriated Funds. – Of the funds appropriated to the Department of Public Instruction under this act for the 2015-2017 fiscal biennium to implement

the requirements of this section, the Department may use up to two hundred thousand dollars (\$200,000) for each fiscal year for the State Board of Education to contract with an independent research organization for the pilot evaluations. For the 2016-2017 fiscal year, the Department shall use the sum of nine million eight hundred thousand dollars (\$9,800,000) for the State Board of Education to select up to 10 local school administrative units to award funds for the advanced teaching role pilot program in accordance with this section. Funds awarded to local school administrative units shall be awarded in proportion to the current expenditure of the pilot local school administrative unit on teacher salaries.

SECTION 8.24.(h) Flexibility for Local School Administrative Units. – Notwithstanding G.S. 115C-301, local school administrative units receiving grants under this program may exceed the maximum class size requirements for kindergarten through third grade.

SECTION 8.24.(i) G.S. 115C-105.25 is amended by adding a new subsection to read:

"(a1) Except as otherwise provided in subsection (b) of this section, the State Board of Education shall permit local boards of education to transfer, at the discretion of the local board, any available State funds into an allotment category to provide supplemental salaries and differential pay for school personnel."

REPEAL UNNECESSARY STATE BOARD OF EDUCATION REPORTS

SECTION 8.25.(a) School Connectivity Initiative report. – Section 7.28(d) of S.L. 2007-323 is repealed.

SECTION 8.25.(b) Report on paperwork reduction. – G.S. 115C-12(19) reads as rewritten:

"(19) Duty to Identify Required Reports and to Eliminate Unnecessary Reports and Paperwork. – Prior to the beginning of each school year, the State Board of Education shall identify all reports that are required at the State level for the school year.

The State Board of Education shall adopt policies to ensure that local school administrative units are not required by the State Board of Education, the State Superintendent, or the Department of Public Instruction staff to (i) provide information that is already available on the student information management system or housed within the Department of Public Instruction; (ii) provide the same written information more than once during a school year unless the information has changed during the ensuing period; (iii) complete forms, for children with disabilities, that are not necessary to ensure compliance with the federal Individuals with Disabilities Education Act (IDEA); or (iv) provide information that is unnecessary to comply with State or federal law and not relevant to student outcomes and the efficient operation of the public schools. Notwithstanding the foregoing, the State Board may require information available on its student information management system or require the same information twice if the State Board can demonstrate a compelling need and can demonstrate there is not a more expeditious manner of getting the information.

The State Board shall permit schools and local school administrative units to submit all reports to the Department of Public Instruction electronically.

The State Board of Education, in collaboration with the education roundtables within the Department of Public Instruction, shall consolidate all plans that affect the school community, including school improvement plans.

The consolidated plan shall be posted on each school's Web site for easy access by the public and by school personnel.

~~The State Board shall report to the Joint Legislative Education Oversight Committee by November 15 of each year on the reports identified that are required at the State level, the evaluation and determination for continuing individual reports, including the consideration of whether those reports exceed what is required by State and federal law, and any reports that it has consolidated or eliminated for the upcoming school year."~~

SECTION 8.25.(c) Report on the ABC's. – G.S. 115C-12(25) reads as rewritten:

"(25) Duty to Report to Joint Legislative Education Oversight Committee. – Upon the request of the Joint Legislative Education Oversight Committee, the State Board shall examine and evaluate issues, programs, policies, and fiscal information, and shall make reports to that Committee. Furthermore, beginning ~~October 15, 1997,~~ October 15, 2015, and annually thereafter, the State Board shall submit reports to that Committee regarding ~~the continued implementation of Chapter 716 of the 1995 Session Laws, 1996 Regular Session. Each report shall include information regarding the composition and activity of assistance teams, schools that received incentive awards,~~ schools identified as low-performing, school improvement plans found to significantly improve student performance, personnel actions taken in low-performing schools, and recommendations for additional legislation to improve student performance and increase local flexibility."

SECTION 8.25.(d) Notification of federal grant applications. – G.S. 115C-12(42) is repealed.

SECTION 8.25.(e) Report on Founding Principles/Civic Literacy. – G.S. 115C-81(g)(6) is repealed.

SECTION 8.25.(f) Report on State School Technology Plan. – G.S. 115C-102.6B(b) reads as rewritten:

"(b) The Board shall submit the plan to the State Chief Information Officer for approval of the technical components of the plan set out in G.S. 115C-102.6A(1) through (4). At least one-fourth of the members of any technical committee that reviews the plan for the State Chief Information Officer shall be people actively involved in primary or secondary education.

~~The Board shall report annually by February 15 of each year to the Joint Legislative Education Oversight Committee on the status of the State School Technology Plan."~~

SECTION 8.25.(g) Evaluation of the School-Based Accountability System. – G.S. 115C-105.35(a) reads as rewritten:

"(a) The School-Based Management and Accountability Program shall (i) focus on student performance in the basics of reading, mathematics, and communications skills in elementary and middle schools, (ii) focus on student performance in courses required for graduation and on other measures required by the State Board in the high schools, and (iii) hold schools accountable for the educational growth of their students. To those ends, the State Board shall design and implement an accountability system that sets annual performance standards for each school in the State in order to measure the growth in performance of the students in each individual school. ~~During the 2004-2005 school year and at least every five years thereafter, the State Board shall evaluate the accountability system and, if necessary, modify the testing standards to assure the testing standards continue to reasonably reflect the level of performance necessary to be successful at the next grade level or for more advanced study in the content area.~~

~~As part of this evaluation, the Board shall, where available, review the historical trend data on student academic performance on State tests. To the extent that the historical trend data suggest that the current standards for student performance may not be appropriate, the State~~

Board shall adjust the standards to assure that they continue to reflect the State's high expectations for student performance."

SECTION 8.25.(h) Reports by local school administrative units and charter schools on students with diabetes. – G.S. 115C-375.3 reads as rewritten:

"§ 115C-375.3. Guidelines to support and assist students with diabetes.

Local boards of education and boards of directors of charter schools shall ensure that the guidelines adopted by the State Board of Education under G.S. 115C-12(31) are implemented in schools in which students with diabetes are enrolled. In particular, the boards shall require the implementation of the procedures set forth in those guidelines for the development and implementation of individual diabetes care plans. The boards also shall make available necessary information and staff development to teachers and school personnel in order to appropriately support and assist students with diabetes in accordance with their individual diabetes care plans. ~~Local boards of education and boards of directors of charter schools shall report to the State Board of Education annually, on or before August 15, whether they have students with diabetes enrolled and provide information showing compliance with the guidelines adopted by the State Board of Education under G.S. 115C-12(31). These reports shall be in compliance with the federal Family Educational Rights and Privacy Act, 20 U.S.C. § 1232g."~~

SCHOOL SAFETY/STATEWIDE SCHOOL RISK AND RESPONSE MANAGEMENT SYSTEM

SECTION 8.26.(a) G.S. 115C-47(40) reads as rewritten:

"(40) To ~~adopt emergency response plans.~~ Adopt School Risk Management Plans. – Each local board of education shall, in coordination with local law enforcement and emergency management agencies, adopt ~~emergency response plans~~ a School Risk Management Plan (SRMP) relating to incidents of school ~~violence~~ violence for each school in its jurisdiction. In constructing and maintaining these plans, local boards of education and local school administrative units shall utilize the School Risk and Response Management System (SRRMS) established pursuant to G.S. 115C-105.49A. These plans are not a public record as the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6."

SECTION 8.26.(b) G.S. 115C-105.49 reads as rewritten:

"§ 115C-105.49. School safety exercises.

(a) ~~At least every two years, once annually, each local school administrative unit is encouraged to shall require each school under its control to hold a full systemwide school safety and school lockdown exercise with the school-wide tabletop exercise and drill based on the procedures documented in its School Risk Management Plan (SRMP). The drill shall include a practice school lockdown due to an intruder on school grounds. Each school is encouraged to hold a tabletop exercise and drill for multiple hazards included in its SRMP. Schools are strongly encouraged to include local law enforcement agencies that are part of the local board of education's emergency response plan, and emergency management agencies in its tabletop exercises and drills. The purpose of the exercise-tabletop exercises and drills shall be to permit participants to (i) discuss simulated emergency situations in a low-stress environment, (ii) clarify their roles and responsibilities and the overall logistics of dealing with an emergency, and (iii) identify areas in which the emergency response plan-SRMP needs to be modified.~~

(b) ~~As part of a local board of education's emergency response plan, at least once a year, each school is encouraged to hold a full schoolwide school safety and lockdown exercise with local law enforcement agencies. For the purposes of this section, a tabletop exercise is an~~

exercise involving key personnel conducting simulated scenarios related to emergency planning.

(c) For the purposes of this section, a drill is a school-wide practice exercise in which simulated scenarios related to emergency planning are conducted.

(d) The Department of Public Safety, Division of Emergency Management, and the Center for Safer Schools shall provide guidance and recommendations to local school administrative units on the types of multiple hazards to plan and respond to, including intruders on school grounds."

SECTION 8.26.(c) Article 8C of Chapter 115C of the General Statutes is amended by adding a new section to read:

"§ 115C-105.49A. School Risk and Response Management System.

(a) The Department of Public Safety, Division of Emergency Management, and the Center for Safer Schools shall construct and maintain a statewide School Risk and Response Management System (SRRMS). The system shall fully integrate and leverage existing data and applications that support school risk planning, exercises, monitoring, and emergency response via 911 dispatch.

(b) In constructing the SRRMS, the Division of Emergency Management and the Center for Safer Schools shall leverage the existing enterprise risk management database, the School Risk Management Planning tool managed by the Division. The Division shall also leverage the local school administrative unit schematic diagrams of school facilities. Where technically feasible, the system shall integrate any anonymous tip lines established pursuant to G.S. 115C-105.51 and any 911-initiated panic alarm systems authorized as part of an SRMP pursuant to G.S. 115C-47(40). The Division and Center for Safer Schools shall collaborate with the Department of Public Instruction and the North Carolina 911 Board in the design, implementation, and maintenance of the SRRMS.

(c) All data and information acquired and stored in the SRRMS as provided in subsections (a) and (b) of this section are not considered public records as the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6."

SECTION 8.26.(d) G.S. 115C-105.51 reads as rewritten:

"§ 115C-105.51. Anonymous tip lines—lines and monitoring and response applications.

(a) Each local school administrative unit is encouraged to develop and operate an anonymous tip line, in coordination with local law enforcement and social services agencies, to receive anonymous information on internal or external risks to the school population, school buildings—buildings, and school-related activities. The Department of Public Safety, in consultation with the Department of Public Instruction, may develop standards and guidelines for the development, operation, and staffing of tip lines.

(b) ~~The Department of Public Instruction, in consultation with the Department of Public Safety, may develop standards and guidelines for the development, operation, and staffing of tip lines.~~ The Department of Public Safety, Division of Emergency Management, and the Center for Safer Schools, in collaboration with the Department of Public Instruction, shall implement and maintain an anonymous safety tip line application for purposes of receiving anonymous student information on internal or external risks to the school population, school buildings, and school-related activities.

(c) ~~The Department of Public Instruction may provide information to local school administrative units on federal, State, local, and private grants available for this purpose.~~ The Department of Public Safety, Division of Emergency Management, and the Center for Safer Schools, in collaboration with the Department of Public Instruction and the North Carolina 911 Board, shall implement and maintain a statewide panic alarm system for the purposes of launching real-time 911 messaging to public safety answering points of internal and external risks to the school population, school buildings, and school-related activities. The Department

of Public Safety, in consultation with the Department of Public Instruction and the North Carolina 911 Board, may develop standards and guidelines for the operations and use of the panic alarm tool.

(d) The Department of Public Safety shall ensure that the anonymous safety tip line application is integrated with and supports the statewide School Risk and Response Management System (SRRMS) as provided in G.S. 115C-105.49A. Where technically feasible and cost-efficient, the Department of Public Safety is encouraged to implement a single solution supporting both the anonymous safety tip line application and panic alarm system.

(e) All data and information acquired and stored by the anonymous safety tip line application are not considered public records as the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6.

(f) Notwithstanding subsection (e) of this section, the Division may collect the annual aggregate number and type of tips sent to the anonymous tip line. The collection of this aggregate data shall not have any identifying information on the reporter of the tip, including, but not limited to, the school where the incident was reported and the date the tip was reported."

SECTION 8.26.(e) G.S. 115C-105.52 reads as rewritten:

"§ 115C-105.52. School crisis kits.

The Department of Public Instruction, in consultation with the Department of Public Safety through the North Carolina Center for Safer Schools, may develop and adopt policies on the placement of school crisis kits in schools and on the contents of those kits. The kits should include, at a minimum, basic first-aid supplies, communications devices, and other items recommended by the International Association of Chiefs of Police.

The principal of each school, in coordination with the law enforcement agencies that are part of the local board of education's ~~emergency response plan~~, School Risk Management Plan, may place one or more crisis kits at appropriate locations in the school."

SECTION 8.26.(f) G.S. 115C-105.53 reads as rewritten:

"§ 115C-105.53. Schematic diagrams and emergency access to school buildings for local law enforcement agencies.

(a) Each local school administrative unit shall provide the following to local law enforcement agencies: (i) schematic diagrams, including digital schematic diagrams, and (ii) either keys to the main entrance of all school buildings or emergency access to key storage devices such as KNOX® boxes for all school buildings. Local school administrative units shall provide updates of the schematic diagrams to local law enforcement agencies when substantial modifications such as new facilities or modifications to doors and windows are made to school buildings. Local school administrative units shall also be responsible for providing local law enforcement agencies with updated access to school ~~building key storage devices such as KNOX® boxes when changes are made to these boxes or devices.~~ buildings when changes are made to the locks of the main entrances or to key storage devices such as KNOX® boxes.

(b) The Department of Public Instruction, in consultation with the Department of Public Safety, shall develop standards and guidelines for the preparation and content of schematic diagrams and necessary updates. Local school administrative units may use these standards and guidelines to assist in the preparation of their schematic diagrams.

(c) Schematic diagrams are not considered a public record as the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6."

SECTION 8.26.(g) G.S. 115C-105.54 reads as rewritten:

"§ 115C-105.54. Schematic diagrams and emergency response information provided to Division of Emergency Management.

(a) Each local school administrative unit shall provide the following to the Division of Emergency Management (Division) at the Department of Public Safety: (i) schematic diagrams,

1 including digital schematic diagrams, and (ii) emergency response information requested by the
2 Division for the School Risk Management Plan (SRMP) ~~and the School Emergency Response~~
3 ~~Plan (SERP).~~(SRMP). Local school administrative units shall also provide updated schematic
4 diagrams and emergency response information to the Division when such updates are made.
5 The Division shall ensure that the diagrams and emergency response information are securely
6 stored and distributed as provided in the SRMP ~~and SERP~~ to first responders, emergency
7 personnel, and school personnel and approved by the Department of Public Instruction.

8 (b) The schematic diagrams and emergency response information are not considered a
9 public record as the term "public record" is defined under G.S. 132-1 and shall not be subject to
10 inspection and examination under G.S. 132-6."

11 **SECTION 8.26.(h)** G.S. 115C-218.75 reads as rewritten:

12 **"§ 115C-218.75. General operating requirements.**

13 (a) Health and Safety Standards. – A charter school shall meet the same health and
14 safety requirements required of a local school administrative unit. The Department of Public
15 Instruction shall ensure that charter schools provide parents and guardians with information
16 about meningococcal meningitis and influenza and their vaccines at the beginning of every
17 school year. This information shall include the causes, symptoms, and how meningococcal
18 meningitis and influenza are spread and the places where parents and guardians may obtain
19 additional information and vaccinations for their children.

20 The Department of Public Instruction shall also ensure that charter schools provide parents
21 and guardians with information about cervical cancer, cervical dysplasia, human
22 papillomavirus, and the vaccines available to prevent these diseases. This information shall be
23 provided at the beginning of the school year to parents of children entering grades five through
24 12. This information shall include the causes and symptoms of these diseases, how they are
25 transmitted, how they may be prevented by vaccination, including the benefits and possible
26 side effects of vaccination, and the places where parents and guardians may obtain additional
27 information and vaccinations for their children.

28 The Department of Public Instruction shall also ensure that charter schools provide students
29 in grades seven through 12 with information annually on the preventable risks for preterm birth
30 in subsequent pregnancies, including induced abortion, smoking, alcohol consumption, the use
31 of illicit drugs, and inadequate prenatal care.

32 The Department of Public Instruction shall also ensure that charter schools provide students
33 in grades nine through 12 with information annually on the manner in which a parent may
34 lawfully abandon a newborn baby with a responsible person, in accordance with G.S. 7B-500.

35 The Department of Public Instruction shall also ensure that the guidelines for individual
36 diabetes care plans adopted by the State Board of Education under G.S. 115C-12(31) are
37 implemented in charter schools in which students with diabetes are enrolled and that charter
38 schools otherwise comply with the provisions of G.S. 115C-375.3.

39 The Department of Public Instruction shall ensure that charter schools comply with
40 G.S. 115C-375.2A. The board of directors of a charter school shall provide the school with a
41 supply of emergency epinephrine auto-injectors necessary to carry out the provisions of
42 G.S. 115C-375.2A.

43 (b) ~~Emergency Response Plan.~~ School Risk Management Plan. – Each charter
44 school, in coordination with local law enforcement ~~agencies~~, and emergency management
45 agencies, is encouraged to adopt ~~an emergency response plan~~ a School Risk Management Plan
46 (SRMP) relating to incidents of school violence. In constructing and maintaining these plans,
47 charter schools may utilize the School Risk and Response Management System (SRRMS)
48 established pursuant to G.S. 115C-105.49A. These plans are not considered a public record as
49 the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and
50 examination under G.S. 132-6.

Charter schools are encouraged to provide schematic diagrams and keys to the main entrance of school facilities to local law enforcement agencies, in addition to implementing the provisions in ~~G.S. 115C-105.49(b)~~ and G.S. 115C-105.52.

(c) Policy Against Bullying. – A charter school is encouraged to adopt a policy against bullying or harassing behavior, including cyber bullying, that is consistent with the provisions of Article 29C of this Chapter. If a charter school adopts a policy to prohibit bullying and harassing behavior, the charter school shall, at the beginning of each school year, provide the policy to staff, students, and parents as defined in G.S. 115C-390.1(b)(8).

(d) School Safety Exercises. – At least once a year, a charter school is encouraged to hold a full school-wide lockdown exercise with local law enforcement and emergency management agencies that are part of the charter school's SRMP.

(e) School Safety Information Provided to Division of Emergency Management. – A charter school is encouraged to provide the following: (i) schematic diagrams, including digital schematic diagrams, and (ii) emergency response information requested by the Division for the SRMP. The schematic diagrams and emergency response information are not considered public records as the term "public record" is defined under G.S. 132-1 and shall not be subject to inspection and examination under G.S. 132-6."

SECTION 8.26.(i) G.S. 115C-238.66 reads as rewritten:

"§ 115C-238.66. Board of directors; powers and duties.

The board of directors shall have the following powers and duties:

(1) Academic program. –

- a. The board of directors shall establish the standard course of study for the regional school. This course of study shall set forth the subjects to be taught in each grade and the texts and other educational materials on each subject to be used in each grade. The board of directors shall design its programs to meet at least the student performance standards adopted by the State Board of Education and the student performance standards contained in this Chapter.
- b. The board of directors shall conduct student assessments required by the State Board of Education.
- c. The board of directors shall provide the opportunity to earn or obtain credit toward degrees from a community college subject to Chapter 115D of the General Statutes or a constituent institution of The University of North Carolina.
- d. The board of directors shall adopt a school calendar consisting of a minimum of 185 days or 1,025 hours of instruction covering at least nine calendar months.

(2) Standards of performance and conduct. – The board of directors shall establish policies and standards for academic performance, attendance, and conduct for students of the regional school. The policies of the board of directors shall comply with Article 27 of this Chapter.

(3) School attendance. – Every parent, guardian, or other person in this State having charge or control of a child who is enrolled in the regional school and who is less than 16 years of age shall cause such child to attend school continuously for a period equal to the time that the regional school shall be in session. No person shall encourage, entice, or counsel any child to be unlawfully absent from the regional school. Any person who aids or abets a student's unlawful absence from the regional school shall, upon conviction, be guilty of a Class 1 misdemeanor. The principal shall be responsible for implementing such additional policies concerning compulsory attendance as shall be adopted by the board of directors, including regulations concerning

- 1 lawful and unlawful absences, permissible excuses for temporary absences,
2 maintenance of attendance records, and attendance counseling.
- 3 (4) Reporting. – The board of directors shall comply with the reporting
4 requirements established by the State Board of Education in the Uniform
5 Education Reporting System.
- 6 (5) Assessment results. – The board of directors shall provide data to the
7 participating unit in which a student is domiciled on the performance of that
8 student on any testing required by the State Board of Education.
- 9 (6) Education of children with disabilities. – The board of directors shall require
10 compliance with laws and policies relating to the education of children with
11 disabilities.
- 12 (7) Health and safety. – The board of directors shall require that the regional
13 school meet the same health and safety standards required of a local school
14 administrative unit.

15 The Department of Public Instruction shall ensure that regional schools
16 comply with G.S. 115C-375.2A. The board of directors of a regional school
17 shall provide the school with a supply of emergency epinephrine
18 auto-injectors necessary to carry out the provisions of G.S. 115C-375.2A.

- 19 (7a) ~~Emergency Response Plan.~~ School Risk Management Plan. – Each
20 regional school, in coordination with local law enforcement agencies, is
21 encouraged to adopt ~~an emergency response plan~~ a School Risk
22 Management Plan (SRMP) relating to incidents of school violence. In
23 constructing and maintaining these plans, a regional school may utilize the
24 School Risk and Response Management System (SRRMS) established
25 pursuant to G.S. 115C-105.49A. These plans are not considered a public
26 record as the term "public record" is defined under G.S. 132-1 and shall not
27 be subject to inspection and examination under G.S. 132-6.
- 28 (7b) Schematic diagrams and school crisis kits. – Regional schools are
29 encouraged to provide schematic diagrams and keys to the main entrance of
30 school facilities to local law enforcement agencies, in addition to
31 implementing the provisions in ~~G.S. 115C-105.49(b)~~ and G.S. 115C-105.52.
- 32 (7c) School safety exercises. – At least once a year, a regional school is
33 encouraged to hold a full school-wide lockdown exercise with local law
34 enforcement and emergency management agencies that are part of the
35 regional school's SRMP.
- 36 (7d) Safety information provided to Division of Emergency Management. – A
37 regional school is encouraged to provide the following: (i) schematic
38 diagrams, including digital schematic diagrams, and (ii) emergency response
39 information requested by the Division for the SRMP. The schematic
40 diagrams and emergency response information are not considered public
41 records as the term "public record" is defined under G.S. 132-1 and shall not
42 be subject to inspection and examination under G.S. 132-6.
- 43 (8) Driving eligibility certificates. – The board of directors shall apply the rules
44 and policies established by the State Board of Education for issuance of
45 driving eligibility certificates.
- 46 (9) Purchasing and contracts. – The board of directors shall comply with the
47 purchasing and contract statutes and regulations applicable to local school
48 administrative units.
- 49 (10) Exemption from the Administrative Procedures Act. – The board of directors
50 shall be exempt from Chapter 150B of the General Statutes, except final
51 decisions of the board of directors in a contested case shall be subject to

judicial review in accordance with Article 4 of Chapter 150B of the General Statutes.

(11) North Carolina School Report Cards. – A regional school shall ensure that the report card issued for it by the State Board of Education receives wide distribution to the local press or is otherwise provided to the public. A regional school shall ensure that the overall school performance score and grade earned by the regional school for the current and previous four school years is prominently displayed on the school Web site. If a regional school is awarded a grade of D or F, the regional school shall provide notice of the grade in writing to the parent or guardian of all students enrolled in that school.

(12) Policy against bullying. – A regional school is encouraged to adopt a policy against bullying or harassing behavior, including cyber-bullying, that is consistent with the provisions of Article 29C of this Chapter. If a regional school adopts a policy to prohibit bullying and harassing behavior, the regional school shall, at the beginning of each school year, provide the policy to staff, students, and parents as defined in G.S. 115C-390.1(b)(8)."

SECTION 8.26.(j) G.S. 166A-19.12 is amended by adding a new subdivision to

read:

"(22) Serving as the lead State agency for the implementation and maintenance of the statewide School Risk and Response Management System (SRRMS) under G.S. 115C-105.49A."

SECTION 8.26.(k) By March 1, 2017, each local board of education shall adopt a School Risk Management Plan as required under G.S. 115C-47(40), as amended by subsection (a) of this section.

SECTION 8.26.(l) Each charter school is encouraged to adopt a School Risk Management Plan as provided for under G.S. 115C-218.75, as amended by subsection (h) of this section, by March 1, 2017.

SECTION 8.26.(m) Each regional school is encouraged to adopt a School Risk Management Plan as provided for under G.S. 115C-238.66, as amended by subsection (i) of this section, by March 1, 2017.

SECTION 8.26.(n) By July 1, 2016, the Department of Public Safety shall implement an anonymous safety tip line application and a statewide panic alarm system as required under G.S. 115C-105.51, as amended by subsection (d) of this section.

SECTION 8.26.(o) By December 1, 2015, the Department of Public Safety, Division of Emergency Management, and the Center for Safer Schools shall provide a report to the Joint Legislative Commission on Governmental Operations on (i) the status of the School Risk and Response Management System (SRRMS) implementation under G.S. 115C-105.49A, as enacted by this section, and (ii) the anticipated annual cost to operate and maintain the system.

SECTION 8.26.(p) Except as otherwise provided for in this section, this section applies beginning with the 2015-2016 school year.

INVESTING IN INNOVATION GRANT

SECTION 8.27.(a) Section 8.25 of S.L. 2013-360, as amended by Section 8.27 of S.L. 2014-100, is repealed.

SECTION 8.27.(b) The federal Investing in Innovation Fund Grant: Validating Early College Strategies for Traditional Comprehensive High Schools awarded to the North Carolina New Schools Project for 2012-2020 requires students to enroll in a community college course in the 10th grade. Notwithstanding any other provision of law, specified local school administrative units may offer one community college course to participating sophomore (10th

grade) students. Participating local school administrative units are Alleghany, Beaufort, Bladen, Duplin, Hertford, Harnett, Jones, Madison, Martin, Richmond, Rutherford, Scotland, Surry, Warren, and Yancey County Schools.

SECTION 8.27.(c) Grant funds shall be used to pay for all costs incurred by the local school administrative units and the community college partners to implement the grant, including community college FTE. Community colleges shall not earn budget FTE for student course enrollments supported with this grant.

SECTION 8.27.(d) Research for the project shall address the effects of early college strategies in preparing students for college completion. The North Carolina New Schools Project shall report on the implementation of the grant to the State Board of Education, State Board of Community Colleges, Office of the Governor, and the Joint Legislative Education Oversight Committee no later than March 15, 2016, and annually thereafter until the end of the grant period.

STUDY ON CHARTER SCHOOL CLOSURE FUNDS

SECTION 8.28.(a) The State Board of Education shall study and develop a proposed policy regarding circumstances in which a charter school, approved by the State Board pursuant to G.S. 115C-218.5, shall not be subject to the minimum value requirement of fifty thousand dollars (\$50,000) as required by G.S. 115C-218.100 for the purposes of ensuring payment of expenses related to closure proceedings. The State Board shall consider providing certain charter schools with a total or partial waiver of the requirement. In doing so, the State Board shall examine criteria for potentially eligible charter schools, such as the years of operation of the charter school, proven compliance with finance, governance, academic requirements of its charter, State law, and State Board policy requirements, as well as appropriate documentation to show the charter school's financial health and sustainability.

SECTION 8.28.(b) By February 15, 2016, the State Board of Education shall report to the Joint Legislative Education Oversight Committee on the results of the study and a proposed policy as required by subsection (a) of this section, including any legislative recommendations.

AFTER-SCHOOL QUALITY IMPROVEMENT COMPETITIVE GRANTS

SECTION 8.29.(a) Of the funds appropriated by this act for the At-Risk Student Services Alternative School Allotment for the 2015-2017 fiscal biennium, the State Board of Education shall use six million dollars (\$6,000,000) for the 2015-2016 fiscal year and six million dollars (\$6,000,000) for the 2016-2017 fiscal year for the After-School Quality Improvement Grant Program administered by the Department of Public Instruction. The Department may use these funds to provide a second-year grant to grant recipients approved under the After-School Quality Improvement Grant Program pursuant to Section 8.19 of S.L. 2014-100. Of the funds appropriated for the program, the Department of Public Instruction may use up to two hundred thousand dollars (\$200,000) for each fiscal year to administer the program.

SECTION 8.29.(b) The purpose of the After-School Quality Improvement Grant Program is to fund after-school learning programs for at-risk students that raise standards for student academic outcomes by focusing on the following:

- (1) Use of an evidence-based model with a proven track record of success.
- (2) Inclusion of rigorous, quantitative performance measures to confirm their effectiveness during the grant cycle and at the end-of-grant cycle.
- (3) Alignment with State performance measures, student academic goals, and the North Carolina Standard Course of Study.

- (4) Prioritization in programs to integrate clear academic content, in particular, science, technology, engineering, and mathematics (STEM) learning opportunities or reading development and proficiency instruction.
- (5) Emphasis on minimizing student class size when providing instruction.
- (6) Expansion of student access to learning activities and academic support that strengthen student engagement and leverage community-based resources, which may include organizations that provide mentoring services and private-sector employer involvement.
- (7) Emphasis on utilization of digital content to expand learning time, when practicable.

SECTION 8.29.(c) Grants may be provided for new or existing after-school learning programs for at-risk students operated by local school administrative units, charter schools, nonprofits, and nonprofits working in collaboration with local school administrative units. Participants are eligible to receive grants for up to two years in an amount of up to five hundred thousand dollars (\$500,000) each year. Programs should focus on serving at-risk students not performing at grade level as demonstrated by statewide assessments.

A grant participant shall provide certification to the Department of Public Instruction that the grants received under the program shall be matched on the basis of three dollars (\$3.00) in grant funds for every one dollar (\$1.00) in nongrant funds. Matching funds shall not include other State funds. Matching funds may include in-kind contributions.

SECTION 8.29.(d) A nonprofit may act as its own fiscal agent for the purposes of this program. Grant recipients shall report to the Department of Public Instruction after the first year of funding on the progress of the grant, including alignment with State academic standards, data collection for reporting student progress, the source and amount of matching funds, and other measures, before receiving funding for the next fiscal year. Grant recipients shall report after the second year of funding on key performance data, including statewide test results, attendance rates, and promotion rates, and financial sustainability of the after-school program.

SECTION 8.29.(e) The Department of Public Instruction shall provide interim reports on the grant program to the Joint Legislative Education Oversight Committee by September 15, 2016, with a final report on the program by September 15, 2017. The final report shall include the final results of the program and recommendations regarding effective after-school program models, standards, and performance measures based on student performance, leveraging of community-based resources to expand student access to learning activities and academic support, and the experience of the grant recipients.

SECTION 8.29.(f) Section 8.19 of S.L. 2014-100 is repealed.

DPI STUDY/IMPROVE OUTCOMES FOR STUDENTS WITH DISABILITIES

SECTION 8.30.(a) The Department of Public Instruction shall study and develop potential policy changes for improving the outcomes for elementary and secondary students with disabilities, including raising the graduation rates, providing more outcome-based goals, creating greater access to career-ready diplomas, increasing integration of accessible digital learning options, and providing earlier and improved transition services planning. The Department shall do at least the following toward achieving the goals set forth in this section:

- (1) Examine current Individualized Education Program (IEP) requirements and develop reforms with greater focus on outcome-based goals for students with disabilities.
- (2) Solicit input and bring together stakeholders and other interested parties to develop policies on transition services plans for students with disabilities from elementary to middle school, middle to high school, and high school to

postsecondary education, and for employment opportunities and adult living options.

- (3) Solicit input and bring together stakeholders to create accessible ways for students with IEPs to access the Future Ready Core Course of Study in more significant numbers as a viable option to the Occupational Course of Study.
- (4) Examine model programs that may be employed by local school administrative units aimed at increasing the graduation rate and school performance of students with disabilities.

SECTION 8.30.(b) The funds appropriated to the Department of Public Instruction for the 2015-2017 fiscal biennium to implement the requirements of this section shall be used to (i) implement methods for improving outcomes for children with disabilities developed in accordance with subsection (a) of this section and (ii) provide technical assistance to local school administrative units to establish model programs aimed at increasing the graduation rate and school performance of students with disabilities.

SECTION 8.30.(c) By November 15, 2015, and annually thereafter, the Department of Public Instruction shall report to the Joint Legislative Education Oversight Committee on the progress of developing and implementing policy changes on (i) IEP reforms, (ii) transition planning policies, (iii) increased access to Future Ready Core Course of Study for students with disabilities, and (iv) model programs for use by local school administrative units to improve graduation rates and school performance of students with disabilities.

PART IX. COMPENSATION OF PUBLIC SCHOOL EMPLOYEES

TEACHER SALARY SCHEDULE

SECTION 9.1.(a) The following monthly teacher salary schedule shall apply for the 2015-2016 fiscal year to licensed personnel of the public schools who are classified as teachers. The schedule contains steps with each step corresponding to one year of teaching experience.

2015-2016 Teacher Monthly Salary Schedule

Years of Experience	"A" Teachers
0-4	\$3,500
5-9	3,723
10-14	4,080
15-19	4,437
20-24	4,743
25+	5,100

SECTION 9.1.(b) Salary Supplements for Teachers Paid on This Salary Schedule.

- (1) Licensed teachers who have NBPTS certification shall receive a salary supplement each month of twelve percent (12%) of their monthly salary on the "A" salary schedule.
- (2) Licensed teachers who are classified as "M" teachers shall receive a salary supplement each month of ten percent (10%) of their monthly salary on the "A" salary schedule.
- (3) Licensed teachers with licensure based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the supplement provided to them as "M" teachers.
- (4) Licensed teachers with licensure based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred

1 fifty-three dollars (\$253.00) per month in addition to the supplement
2 provided to them as "M" teachers.

3 (5) Certified school nurses shall receive a salary supplement each month of ten
4 percent (10%) of their monthly salary on the "A" salary schedule.

5 **SECTION 9.1.(c)** The first step of the salary schedule for (i) school psychologists,
6 (ii) school speech pathologists who are licensed as speech pathologists at the masters degree
7 level or higher, and (iii) school audiologists who are licensed as audiologists at the masters
8 degree level or higher shall be equivalent to Step 5 of the "A" salary schedule. These
9 employees shall receive a salary supplement each month of ten percent (10%) of their monthly
10 salary and are eligible to receive salary supplements equivalent to those of teachers for
11 academic preparation at the six-year degree level or the doctoral degree level.

12 **SECTION 9.1.(d)** The twenty-sixth step of the salary schedule for (i) school
13 psychologists, (ii) school speech pathologists who are licensed as speech pathologists at the
14 masters degree level or higher, and (iii) school audiologists who are licensed as audiologists at
15 the masters degree level or higher shall be seven and one-half percent (7.5%) higher than the
16 salary received by these same employees on the twenty-fifth step of the salary schedule.

17 **SECTION 9.1.(e)** In lieu of providing annual longevity payments to teachers paid
18 on this salary schedule for the 2014-2015 fiscal year and subsequent fiscal years, the amounts
19 of those longevity payments are included in the monthly amounts under this salary schedule.

20 **SECTION 9.1.(f)** A teacher compensated in accordance with this salary schedule
21 shall receive an amount equal to the greater of (i) the applicable amount on the salary schedule
22 for the 2015-2016 school year, (ii) for teachers who were eligible for longevity for the
23 2013-2014 school year, the sum of the teacher's salary for the 2013-2014 school year plus
24 longevity based on the percentage of that salary equivalent to the teacher's years of service
25 under the longevity system in effect for the 2013-2014 school year, or (iii) the salary and bonus
26 the teacher received for the 2014-2015 school year plus two percent (2%) of those amounts.

27 **SECTION 9.1.(g)** As used in this section, the term "teacher" shall also include
28 instructional support personnel.

29

30 **SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE**

31 **SECTION 9.2.(a)** The following base salary schedule for school-based
32 administrators shall apply only to principals and assistant principals. This base salary schedule
33 shall apply for the 2015-2016 fiscal year commencing July 1, 2015.

34 **2015-2016 Principal and Assistant Principal Salary Schedules**

35 **Classification**

36 Years of Exp	37 Assistant Principal	38 Prin I (0-10)	39 Prin II (11-21)	40 Prin III (22-32)	41 Prin IV (33-43)
38 0-9	\$3,972	-	-	-	-
39 10	\$4,057	-	-	-	-
40 11	\$4,205	-	-	-	-
41 12	\$4,325	-	-	-	-
42 13	\$4,409	\$4,409	-	-	-
43 14	\$4,465	\$4,465	-	-	-
44 15	\$4,523	\$4,523	\$4,579	-	-
45 16	\$4,579	\$4,579	\$4,638	-	-
46 17	\$4,638	\$4,638	\$4,698	\$4,758	-
47 18	\$4,698	\$4,698	\$4,758	\$4,821	\$4,884
48 19	\$4,758	\$4,758	\$4,821	\$4,884	\$4,948
49 20	\$4,821	\$4,821	\$4,884	\$4,948	\$5,016
50 21	\$4,884	\$4,884	\$4,948	\$5,016	\$5,083
51 22	\$4,948	\$4,948	\$5,016	\$5,083	\$5,151

1	23	\$5,016	\$5,016	\$5,083	\$5,151	\$5,221
2	24	\$5,083	\$5,083	\$5,151	\$5,221	\$5,292
3	25	\$5,151	\$5,151	\$5,221	\$5,292	\$5,368
4	26	\$5,221	\$5,221	\$5,292	\$5,368	\$5,442
5	27	\$5,292	\$5,292	\$5,368	\$5,442	\$5,517
6	28	\$5,368	\$5,368	\$5,442	\$5,517	\$5,593
7	29	\$5,442	\$5,442	\$5,517	\$5,593	\$5,672
8	30	\$5,517	\$5,517	\$5,593	\$5,672	\$5,754
9	31	\$5,593	\$5,593	\$5,672	\$5,754	\$5,836
10	32	\$5,672	\$5,672	\$5,754	\$5,836	\$5,910
11	33	\$5,754	\$5,754	\$5,836	\$5,910	\$6,027
12	34	\$5,836	\$5,836	\$5,910	\$6,027	\$6,148
13	35	\$5,910	\$5,910	\$6,027	\$6,148	\$6,271
14	36	\$6,027	\$6,027	\$6,148	\$6,271	\$6,396
15	37	-	\$6,148	\$6,271	\$6,396	\$6,524
16	38	-	-	\$6,396	\$6,524	\$6,654
17	39	-	-	\$6,524	\$6,654	\$6,787
18	40	-	-	-	\$6,787	\$6,923
19	41	-	-	-	\$6,923	\$7,061
20	42	-	-	-	-	\$7,202

2015-2016 Principal and Assistant Principal Salary Schedules
Classification

Years of Exp	Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
0-19	\$5,016	-	-	-
20	\$5,083	-	-	-
21	\$5,151	\$5,221	-	-
22	\$5,221	\$5,292	\$5,442	-
23	\$5,292	\$5,368	\$5,517	\$5,593
24	\$5,368	\$5,442	\$5,593	\$5,672
25	\$5,442	\$5,517	\$5,672	\$5,754
26	\$5,517	\$5,593	\$5,754	\$5,836
27	\$5,593	\$5,672	\$5,836	\$5,910
28	\$5,672	\$5,754	\$5,910	\$6,027
29	\$5,754	\$5,836	\$6,027	\$6,148
30	\$5,836	\$5,910	\$6,148	\$6,271
31	\$5,910	\$6,027	\$6,271	\$6,396
32	\$6,027	\$6,148	\$6,396	\$6,524
33	\$6,148	\$6,271	\$6,524	\$6,654
34	\$6,271	\$6,396	\$6,654	\$6,787
35	\$6,396	\$6,524	\$6,787	\$6,923
36	\$6,524	\$6,654	\$6,923	\$7,061
37	\$6,654	\$6,787	\$7,061	\$7,202
38	\$6,787	\$6,923	\$7,202	\$7,346
39	\$6,923	\$7,061	\$7,346	\$7,493
40	\$7,061	\$7,202	\$7,493	\$7,643
41	\$7,202	\$7,346	\$7,643	\$7,796
42	\$7,346	\$7,493	\$7,796	\$7,952
43	\$7,493	\$7,643	\$7,952	\$8,111
44	-	\$7,796	\$8,111	\$8,273

1	45	-	\$7,952	\$8,273	\$8,438
2	46+	-	-	\$8,438	\$8,607

3 **SECTION 9.2.(b)** The appropriate classification for placement of principals and
 4 assistant principals on the salary schedule, except for principals in alternative schools and in
 5 cooperative innovative high schools, shall be determined in accordance with the following
 6 schedule:

Classification	Number of Teachers Supervised
Assistant Principal	
Principal I	Fewer than 11 Teachers
Principal II	11-21 Teachers
Principal III	22-32 Teachers
Principal IV	33-43 Teachers
Principal V	44-54 Teachers
Principal VI	55-65 Teachers
Principal VII	66-100 Teachers
Principal VIII	More than 100 Teachers

7 The number of teachers supervised includes teachers and assistant principals paid
 8 from State funds only; it does not include teachers or assistant principals paid from non-State
 9 funds or the principal or teacher assistants.

10 The beginning classification for principals in alternative schools and in cooperative
 11 innovative high school programs shall be the Principal III level. Principals in alternative
 12 schools who supervise 33 or more teachers shall be classified according to the number of
 13 teachers supervised.

14 **SECTION 9.2.(c)** A principal shall be placed on the step on the salary schedule
 15 that reflects total number of years of experience as a certified employee of the public schools
 16 and an additional step for every three years of experience serving as a principal on or before
 17 June 30, 2009. A principal or assistant principal shall also continue to receive any additional
 18 State-funded percentage increases earned for the 1997-1998, 1998-1999, and 1999-2000 school
 19 years for improvement in student performance or maintaining a safe and orderly school.

20 **SECTION 9.2.(d)** Principals and assistant principals with certification based on
 21 academic preparation at the six-year degree level shall be paid a salary supplement of one
 22 hundred twenty-six dollars (\$126.00) per month and at the doctoral degree level shall be paid a
 23 salary supplement of two hundred fifty-three dollars (\$253.00) per month.

24 **SECTION 9.2.(e)** Longevity pay for principals and assistant principals shall be as
 25 provided for State employees under the North Carolina Human Resources Act.

26 **SECTION 9.2.(f)** If a principal is reassigned to a higher job classification because
 27 the principal is transferred to a school within a local school administrative unit with a larger
 28 number of State-allotted teachers, the principal shall be placed on the salary schedule as if the
 29 principal had served the principal's entire career as a principal at the higher job classification.

30 If a principal is reassigned to a lower job classification because the principal is
 31 transferred to a school within a local school administrative unit with a smaller number of
 32 State-allotted teachers, the principal shall be placed on the salary schedule as if the principal
 33 had served the principal's entire career as a principal at the lower job classification.

34 This subsection applies to all transfers on or after the effective date of this section,
 35 except transfers in school systems that have been created, or will be created, by merging two or
 36 more school systems. Transfers in these merged systems are exempt from the provisions of this
 37 subsection for one calendar year following the date of the merger.

38 **SECTION 9.2.(g)** Participants in an approved full-time master's in-school
 39 administration program shall receive up to a 10-month stipend at the beginning salary of an
 40 assistant principal during the internship period of the master's program. The stipend shall not
 41 exceed the difference between the beginning salary of an assistant principal plus the cost of
 42

tuition, fees, and books and any fellowship funds received by the intern as a full-time student, including awards of the Principal Fellows Program. The Principal Fellows Program or the school of education where the intern participates in a full-time master's in-school administration program shall supply the Department of Public Instruction with certification of eligible full-time interns.

SECTION 9.2.(h) During the 2015-2016 fiscal year, the placement on the salary schedule of an administrator with a one-year provisional assistant principal's certificate shall be at the entry-level salary for an assistant principal or the appropriate step on the teacher salary schedule, whichever is higher.

SECTION 9.2.(i) Effective July 1, 2015, any person who was paid on the State Salary Schedule for the 2014-2015 school year and employed as a school-based administrator on July 1, 2015, whose years of creditable service exceed the number of steps applicable to him or her on this salary schedule, shall receive a nonrecurring salary bonus of eight hundred nine dollars (\$809.00).

CENTRAL OFFICE SALARIES

SECTION 9.3.(a) The monthly salary ranges that follow apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2015-2016 fiscal year, beginning July 1, 2016.

School Administrator I	\$3,459	\$6,449
School Administrator II	\$3,664	\$6,838
School Administrator III	\$3,887	\$7,252
School Administrator IV	\$4,041	\$7,539
School Administrator V	\$4,202	\$7,843
School Administrator VI	\$4,455	\$8,314
School Administrator VII	\$4,633	\$8,648

The local board of education shall determine the appropriate category and placement for each assistant superintendent, associate superintendent, director/coordinator, supervisor, or finance officer within the salary ranges and within funds appropriated by the General Assembly for central office administrators and superintendents. The category in which an employee is placed shall be included in the contract of any employee.

SECTION 9.3.(b) The monthly salary ranges that follow apply to public school superintendents for the 2015-2016 fiscal year, beginning July 1, 2015.

Superintendent I	\$4,915	\$9,171
Superintendent II	\$5,215	\$9,723
Superintendent III	\$5,530	\$10,311
Superintendent IV	\$5,867	\$10,935
Superintendent V	\$6,224	\$11,599

The local board of education shall determine the appropriate category and placement for the superintendent based on the average daily membership of the local school administrative unit and within funds appropriated by the General Assembly for central office administrators and superintendents.

SECTION 9.3.(c) Longevity pay for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers shall be as provided for State employees under the State Personnel Act.

SECTION 9.3.(d) Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided pursuant to this section. Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic

preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to the compensation provided for under this section.

SECTION 9.3.(e) The State Board of Education shall not permit local school administrative units to transfer State funds from other funding categories for salaries for public school central office administrators.

SECTION 9.3.(f) The salaries of all permanent full-time personnel paid from the Central Office Allotment shall be increased by two percent (2%), commencing July 1, 2015. The State Board of Education shall allocate these funds to local school administrative units. The local boards of education shall establish guidelines for providing salary increases to these personnel.

NONCERTIFIED PERSONNEL SALARIES

SECTION 9.4.(a) The annual salary increase for permanent, full-time noncertified public school employees whose salaries are supported from the State's General Fund shall be two percent (2%), commencing July 1, 2015.

SECTION 9.4.(b) Local boards of education shall increase the rates of pay for such employees who were employed for all or part of fiscal year 2014-2015 and who continue their employment for fiscal year 2015-2016 by providing an annual salary increase for employees of two percent (2%).

For part-time employees, the pay increase shall be pro rata based on the number of hours worked.

SECTION 9.4.(c) The State Board of Education may adopt salary ranges for noncertified personnel to support increases of two percent (2%) for the 2015-2016 fiscal year.

ENSURE NO PRINCIPAL MAKES LESS THAN AN ASSISTANT PRINCIPAL

SECTION 9.5.(a) Section 7.22(b) of S.L. 2009-451 reads as rewritten:

"SECTION 7.22.(b) This section becomes effective ~~July 1, 2009, and applies to all persons initially employed as assistant principals on or after that date.~~ July 1, 2009."

SECTION 9.5.(b) G.S. 115C-285(a) is amended by adding a new subdivision to read:

"(9) An assistant principal who becomes a principal without a break in service shall be paid, on a monthly basis, at least as much as he or she would earn as an assistant principal employed by that local school administrative unit."

STUDY THE COMPENSATION OF SCHOOL-BASED ADMINISTRATORS

SECTION 9.6. The Joint Legislative Education Oversight Committee shall study whether (i) State funds should be used to compensate school-based administrators on a uniform statewide salary schedule or (ii) local boards of education should have the flexibility to use the funds to meet local needs.

The Committee shall report its findings to the General Assembly prior to April 1, 2016.

PART X. COMMUNITY COLLEGES

REORGANIZATION OF THE COMMUNITY COLLEGES SYSTEM OFFICE

SECTION 10.1.(a) Notwithstanding any other provision of law, and consistent with the authority established in G.S. 115D-3, the President of the North Carolina Community College System may reorganize the System Office in accordance with recommendations and plans submitted to and approved by the State Board of Community Colleges.

SECTION 10.1.(b) This section expires June 30, 2017.

BASIC SKILLS PLUS

SECTION 10.2.(a) G.S. 115D-5(b) is amended by adding a new subdivision to read:

"(b) In order to make instruction as accessible as possible to all citizens, the teaching of curricular courses and of noncurricular extension courses at convenient locations away from institution campuses as well as on campuses is authorized and shall be encouraged. A pro rata portion of the established regular tuition rate charged a full-time student shall be charged a part-time student taking any curriculum course. In lieu of any tuition charge, the State Board of Community Colleges shall establish a uniform registration fee, or a schedule of uniform registration fees, to be charged students enrolling in extension courses for which instruction is financed primarily from State funds. The State Board of Community Colleges may provide by general and uniform regulations for waiver of tuition and registration fees for the following:

- ...
- (15) Courses providing employability skills, job-specific occupational or technical skills, or developmental education instruction to certain students who are concurrently enrolled in an eligible community college literacy course, in accordance with rules adopted by the State Board of Community Colleges.
- ...

The State Board of Community Colleges shall not waive tuition and registration fees for other individuals."

SECTION 10.2.(b) G.S. 115D-31(b1) reads as rewritten:

"(b1) A local community college may use all State funds allocated to it, except for Literacy funds and Customized Training funds, for any authorized purpose that is consistent with the college's Institutional Effectiveness Plan. The State Board of Community Colleges may authorize a local community college to use up to twenty percent (20%) of the State Literacy funds allocated to it to provide employability skills, job-specific occupational and technical skills, and developmental education instruction to students concurrently enrolled in an eligible community college literacy course.

Each local community college shall include in its Institutional Effectiveness Plan a section on how funding flexibility allows the college to meet the demands of the local community and to maintain a presence in all previously funded categorical programs."

EQUIPMENT FUNDING

SECTION 10.3. For the 2015-2017 fiscal biennium, community colleges may expend regular equipment allocations on equipment and on repairs, renovations, and new construction, necessary to accommodate equipment. Colleges must match funds expended on new construction on an equal matching-fund basis in accordance with G.S. 115D-31. Notwithstanding any other provision of law, community colleges are not required to match funds expended on repairs and renovations of existing facilities.

Colleges must have capital improvement projects approved by the State Board of Community Colleges and any required matching funds identified by June 30, 2017.

EXPAND AGRICULTURAL AND TRANSPORTATION CLASSES TO FRESHMEN AND SOPHOMORES

SECTION 10.4. G.S. 115D-20(4)a. reads as rewritten:

"§ 115D-20. Powers and duties of trustees.

The trustees of each institution shall constitute the local administrative board of such institution, with such powers and duties as are provided in this Chapter and as are delegated to

it by the State Board of Community Colleges. The powers and duties of trustees shall include the following:

- ...
- (4) To apply the standards and requirements for admission and graduation of students and other standards established by the State Board of Community Colleges. Notwithstanding any law or administrative rule to the contrary, local community colleges are permitted to offer the following programs:
- a. Subject to the approval of the State Board of Community Colleges, local community colleges may collaborate with local school administrative units to offer courses through the following programs:
1. Cooperative innovative high school programs as provided by Part 9 of Article 16 of Chapter 115C of the General Statutes.
 2. Academic transition pathways for qualified junior and senior high school students that lead to a career technical education certificate or diploma and academic transition pathways for qualified freshmen and sophomore high school students that lead to a career technical education certificate or diploma in (i) industrial and engineering technologies, (ii) agriculture and natural resources, or (iii) transportation technology.
 3. College transfer certificates requiring the successful completion of thirty semester credit hours of transfer courses, including English and mathematics, for qualified junior and senior high school students."

COLLEGES EARN BUDGET FTE FOR CURRICULUM COURSES TAUGHT DURING THE SUMMER TERM

SECTION 10.5.(a) G.S. 115D-5(v) reads as rewritten:

"(v) Community colleges may teach ~~technical education, health care, developmental education, and STEM-related curriculum~~ courses at any time during the year, including the summer term. Student membership hours from these courses shall be counted when computing full-time equivalent students (FTE) for use in budget funding formulas at the State level."

SECTION 10.5.(b) The State Board of Community Colleges shall report to the Joint Legislative Education Oversight Committee by October 1, 2015, on FTE for the summer 2015 term.

SECTION 10.5.(c) This section is effective when it becomes law and applies beginning with the summer 2015 term.

COMMUNITY COLLEGES PROGRAM COMPLIANCE REVIEW FUNCTION

SECTION 10.6.(a) Section 10.15(a) of S.L. 2013-360 is repealed.

SECTION 10.6.(b) G.S. 115D-5(m) reads as rewritten:

"(m) The State Board of Community Colleges shall maintain an ~~education program auditing accountability~~ function that conducts ~~an annual audit periodic reviews~~ of each community college operating under the provisions of this Chapter. The purpose of the ~~annual audit compliance review~~ shall be to ensure that ~~college programs and related fiscal operations~~ comply with State law, State regulations, State Board policies, and System Office guidance. (i) data used to allocate State funds among community colleges is reported accurately to the System Office and (ii) community colleges are charging and waiving tuition and registration fees consistent with law. The State Board of Community Colleges shall require ~~auditors of community college programs to the use of~~ a statistically valid sample size in performing ~~program audits compliance reviews~~ of community colleges. All ~~education program audit~~

1 compliance review findings that are determined to be material shall be forwarded to the college
2 president, local college board of trustees, the State Board of Community Colleges, and the State
3 Auditor. The State Board of Community Colleges shall adopt rules governing the frequency,
4 scope, and standard of materiality for compliance reviews."

5 **SECTION 10.6.(c)** Subsection (b) of this section applies to compliance reviews
6 beginning with the 2015-2016 academic year.

8 **LIMIT ACTIVE DUTY SOLDIERS CC TUITION**

9 **SECTION 10.7.** G.S. 116-143.3 is amended by adding a new subsection to read:

10 "(b3) Notwithstanding G.S. 115D-5(b), if the amount of the out-of-State tuition rate for a
11 community college exceeds the amount of tuition assistance available from the federal
12 government, as set forth in the U.S. Department of Defense Directive, 1322.08E, promulgated
13 pursuant to 10 U.S.C. §§ 2005 and 2007, for active duty members of the Armed Forces, the
14 amount by which the out-of-State tuition rate exceeds the amount of the federal tuition
15 assistance available to the institution or active duty member of the Armed Forces shall be
16 waived, provided the amount of the tuition waived shall not exceed ten percent (10%) of the
17 out-of-State tuition amount and all of the following conditions are met:

- 18 (1) The active duty member of the Armed Forces was enrolled in a degree or
19 other program at a community college and charged the in-State tuition rate at
20 the time of deployment or reassignment.
- 21 (2) The active duty member of the Armed Forces was not able to remain
22 continuously enrolled in the degree or other program at the community
23 college due to deployment or reassignment.
- 24 (3) The active duty member of the Armed Forces reenrolls in the degree or other
25 program at the community college in which the member was enrolled at the
26 time the member was deployed or reassigned within 18 months of
27 deployment or reassignment.
- 28 (4) The active duty member of the Armed Forces does not otherwise qualify for
29 the in-State tuition rate.

30 The amount of tuition charged to an active duty member of the Armed Forces eligible to
31 receive this waiver shall not be lower than the in-State tuition rate."

33 **COMMUNITY COLLEGE REMEDIATION PILOT PROJECT**

34 **SECTION 10.8.(a)** A four-year remediation Pilot Project shall be established at
35 South Piedmont Community College. The purpose of the Pilot Project is to implement a
36 program that will (i) increase high school graduation rates and community college completion
37 rates in Union and Anson Counties and (ii) serve as a model for the rest of the State.

38 **SECTION 10.8.(b)** The Pilot Project shall consist of two components:

- 39 (1) Identification and remediation of high school students who do not meet
40 community college entrance requirements. This component shall be
41 implemented as follows:
 - 42 a. South Piedmont Community College shall administer a college
43 competency examination to a representative population of high
44 school sophomores, juniors, and seniors in the Union County Public
45 Schools, the Anson County Schools, or both.
 - 46 b. Students who are determined by the examination to be deficient in
47 mathematics, English, or reading skills shall have the opportunity to
48 be enrolled during their junior or senior years in community college
49 remediation courses in lieu of other high school graduation
50 completion electives.

- Participating students shall be included in the average daily membership of the local school administrative unit and the budget FTE of South Piedmont Community College. Participating students enrolled in remediation courses at South Piedmont Community College associated with this pilot shall not be charged tuition.
- c. Students successfully completing community college remediation courses may continue their education under the Career and College Promise program.
 - d. South Piedmont Community College shall report to the Joint Legislative Education Oversight Committee (i) on the implementation of this component of the Pilot Project by February 15, 2016, and (ii) on its impact on the college readiness of participating students annually by September 15, 2016, through September 15, 2020.
 - e. No State funds shall be used to develop and administer the college competency examination or to determine the impact of the Pilot Project on college readiness.
 - f. During the Pilot Project, students electing to participate in this program shall not be calculated in the local school administrative unit's graduation or dropout rates or in the South Piedmont Community College performance funding metrics. These students shall be regarded as transfer students from the local school administrative unit to South Piedmont Community College.
- (2) Authorization for high school students who are at high risk of dropping out of school to complete high school at South Piedmont Community College. This component shall be implemented as follows:
- a. South Piedmont Community College and the each participating local school administrative unit shall sign a memorandum of understanding for a recovery program for students at high risk of dropping out of school to complete high school in an alternative setting. Under this memorandum of understanding, students with no serious disciplinary experience who are at high risk of dropping out of school may, with the consent of the local school administrative unit and South Piedmont Community College, earn a high school diploma at South Piedmont Community College.
 - b. The participating students and their parents shall sign a contract with the high school and college agreeing to the terms and conditions of the program.
 - c. South Piedmont Community College shall generate budget FTE for these students.

COMMUNITY COLLEGE INNOVATIVE PILOT PROGRAM

SECTION 10.9.(a) The State Board of Community Colleges shall establish the Community College Innovative Pilot Program for participating community colleges to establish new, innovative workforce development programs in development tier one and tier two counties as defined in G.S. 143B-437.08. The purpose of the pilot program is to expand the options available to community colleges in establishing new programs targeting the workforce development needs of economically distressed areas of the State by providing (i) initial funding for planning and start-up operational costs for new programs and (ii) the opportunity for community colleges to build student enrollment to create tuition-supported programs and increased job attainment for students. Implementation of the pilot program shall begin with the

2016-2017 academic year, continue for a period of three academic years, ending with the 2018-2019 academic year.

SECTION 10.9.(b) The State Board of Community Colleges, in collaboration with the Department of Commerce, shall develop criteria for approval of an application submitted by a community college serving a development tier one or tier two county to participate in the pilot program in accordance with the provisions of this section. Depending on the pool of applicants, the State Board shall select community college programs for participation in the pilot program that represent the geographic diversity of North Carolina's resident population. A community college seeking to participate in the pilot program shall submit to the State Board a completed Curriculum Program Application for a New-to-the-System Program Title.

SECTION 10.9.(c) The State Board of Community Colleges shall report to the Joint Legislative Education Oversight Committee by September 1, 2019, on the implementation and administration of the pilot program, including at least the following information:

- (1) The use of funds by community colleges participating in the pilot program, including:
 - a. Start-up costs to establish new programs.
 - b. Costs associated with student instruction, including faculty salaries, instructional supplies, and related instructional equipment.
 - c. Financial assistance for students, including assistance with tuition, registration fees, books, and certification costs.
- (2) Evaluation of the success of the community college programs, including:
 - a. Student enrollment numbers.
 - b. Student outcomes, including job attainment and placement data and completion of any certification, diploma, or associate degree programs.
 - c. Number and type of programs that were fully supported by student tuition by the completion of the pilot program.
- (3) Any recommendations on the expansion of the pilot program statewide and potential modifications to the State funding method for community colleges related to providing funds for new programs.

SECTION 10.9.(d) Of the funds appropriated under this act to the Community Colleges System Office for the 2015-2017 fiscal biennium to implement the requirements of this section, the System Office shall use the sum of two million dollars (\$2,000,000) for the 2015-2016 fiscal year and the sum of two million dollars (\$2,000,000) for the 2016-2017 fiscal year to award funds to community colleges participating in the pilot program. The System Office may use up to one hundred thousand dollars (\$100,000) of those funds each fiscal year for administration and evaluation of the pilot program.

STUDY COMMUNITY COLLEGE FACULTY SALARIES

SECTION 10.10. The Joint Legislative Education Oversight Committee shall study the adequacy of community college faculty salaries for recruiting and retaining qualified faculty members. In the course of the study, the Committee shall consider (i) instructional areas and geographical areas for which it is difficult to recruit and retain qualified faculty members, (ii) labor market conditions, including opportunities in the private sector and in four-year institutions of higher education for the individuals with identical qualifications, (iii) the need to increase salaries to appropriately staff certain instructional areas, especially in Tier 1A and 1B courses, and (iv) other relevant factors. The Committee shall report its findings to the 2015 General Assembly upon the convening of the 2016 Regular Session.

PART XI. UNIVERSITIES

USE OF ESCHEAT FUNDS FOR NEED-BASED FINANCIAL AID PROGRAMS

SECTION 11.1.(a) The funds appropriated by this act from the Escheat Fund for the 2015-2017 fiscal biennium shall be allocated by the State Education Assistance Authority (SEAA) for need-based student financial aid in accordance with G.S. 116B-7. If the interest income generated from the Escheat Fund is less than the amounts referenced in this section, the difference may be taken from the Escheat Fund principal to reach the appropriations referenced in this section; however, under no circumstances shall the Escheat Fund principal be reduced below the sum required in G.S. 116B-6(f). If any funds appropriated from the Escheat Fund by this act remain uncommitted for need-based financial aid as of the end of a fiscal year, the funds shall be returned to the Escheat Fund, but only to the extent the funds exceed the amount of the Escheat Fund income for that fiscal year.

SECTION 11.1.(b) The State Education Assistance Authority shall perform all of the administrative functions necessary to implement this program of financial aid. The SEAA shall conduct periodic evaluations of expenditures of the scholarship programs to determine if allocations are utilized to ensure access to institutions of higher learning and to meet the goals of the respective programs. The SEAA may make recommendations for redistribution of funds to The University of North Carolina, the Department of Administration, and the President of the Community College System regarding their respective scholarship programs, who then may authorize redistribution of unutilized funds for a particular fiscal year.

AMEND REGULATION OF UNC INSTITUTIONAL TRUST FUNDS AND FUNDS OF UNC HEALTH CARE SYSTEM

SECTION 11.2. G.S. 116-36.1(h) reads as rewritten:

"(h) The Board may authorize, through the President, that the chancellors may deposit or invest each institution's available trust fund cash balances in interest-bearing accounts and other investments as may be authorized by the Board in the exercise of its sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries. The amount of funds on deposit in an official depository shall be fully secured by deposit insurance, surety bonds, or investment securities of such nature, in such amounts, and in such manner as is prescribed by the Board of Governors for the security of public deposits generally."

IN-STATE TUITION FOR CERTAIN VETERANS AND OTHER INDIVIDUALS ENTITLED TO FEDERAL EDUCATIONAL BENEFITS

SECTION 11.3.(a) Article 14 of Chapter 116 of the General Statutes is amended by adding a new section to read:

"§ 116-143.3A. Waiver of 12-month residency requirement for certain veterans and other individuals entitled to federal education benefits under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33.

(a) Definitions. – The following definitions apply in this section:

(1) Abode. – Has the same meaning as G.S. 116-143.3(a)(1).

(2) Armed Forces. – Has the same meaning as G.S. 116-143.3(a)(2).

(3) Veteran. – A person who served active duty for not less than 90 days in the Armed Forces, the Commissioned Corps of the U.S. Public Health Service, or the National Oceanic and Atmospheric Administration and who was discharged or released from such service under conditions other than dishonorable.

(b) Waiver of 12-Month Residency Requirement for Veteran. – Any veteran who qualifies for admission to an institution of higher education as defined in G.S. 116-143.1(a)(3) is eligible to be charged the in-State tuition rate and applicable mandatory fees for enrollment without satisfying the 12-month residency requirement under G.S. 116-143.1, provided the veteran meets all of the following criteria:

- (1) The veteran applies for admission to the institution of higher education and enrolls within three years of the veteran's discharge or release from the Armed Forces, the Commissioned Corps of the U.S. Public Health Service, or the National Oceanic and Atmospheric Administration.
- (2) The veteran qualifies for and uses educational benefits pursuant to 38 U.S.C. Chapter 30 (Montgomery G.I. Bill Active Duty Education Assistance Program) or 38 U.S.C. Chapter 33 (Post-9/11 Educational Assistance), as administered by the U.S. Department of Veterans Affairs.
- (3) The veteran's abode is North Carolina.
- (4) The veteran provides the institution of higher education at which the veteran intends to enroll a letter of intent to establish residence in North Carolina.

(c) Eligibility of Other Individuals Entitled to Federal Educational Benefits Under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33. – Any person who is entitled to federal educational benefits under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 is also eligible to be charged the in-State tuition rate and applicable mandatory fees for enrollment without satisfying the 12-month residency requirement under G.S. 116-143.1 if the person meets all of the following criteria:

- (1) The person qualifies for admission to the institution of higher education as defined in G.S. 116-143.1(a)(3) and enrolls in the institution of higher education within three years of the veteran's discharge or release from the Armed Forces, the Commissioned Corps of the U.S. Public Health Service, or the National Oceanic and Atmospheric Administration.
- (2) The person is the recipient of federal educational benefits pursuant to 38 U.S.C. Chapter 30 (Montgomery G.I. Bill Active Duty Education Assistance Program) or 38 U.S.C. Chapter 33 (Post-9/11 Educational Assistance), as administered by the U.S. Department of Veterans Affairs.
- (3) The person's abode is North Carolina.
- (4) The person provides the institution of higher education at which the person intends to enroll a letter of intent to establish residence in North Carolina.

(d) Eligibility While Continuously Enrolled at the Same Institution of Higher Education. – After enrollment in an institution of higher education, any veteran entitled to federal educational benefits under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 and any other individual entitled to federal educational benefits under 38 U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 who is eligible for in-State tuition under this section shall continue to be eligible for the in-State tuition rate so long as the covered individual remains continuously enrolled (other than during regularly scheduled breaks between courses, quarters, terms, or semesters) at that institution of higher education."

SECTION 11.3.(b) G.S. 116-143.8 is repealed.

SECTION 11.3.(c) Funds appropriated to the Board of Governors of The University of North Carolina pursuant to Section 11.12(b) of S.L. 2014-100 for the 2014-2015 fiscal year for the UNC Yellow Ribbon Reserve shall not revert at the end of the fiscal year but shall remain available unless provided otherwise by this act. This subsection becomes effective June 30, 2015.

SECTION 11.3.(d) Funds appropriated to the Community Colleges System Office for the 2014-2015 fiscal year for the Community College Yellow Ribbon Reserve pursuant to Section 11.12(b) of S.L. 2014-100 shall not revert at the end of the fiscal year but shall remain available unless provided otherwise by this act. This subsection becomes effective June 30, 2015.

SECTION 11.3.(e) This section becomes effective July 1, 2015, and applies to qualifying veterans and other individuals entitled to federal educational benefits under 38

U.S.C. Chapter 30 or 38 U.S.C. Chapter 33 who are enrolled or who enroll in institutions of higher education for any academic quarter, term, or semester that begins on or after that date.

UNC MANAGEMENT FLEXIBILITY REDUCTION

SECTION 11.4.(a) The management flexibility reduction for The University of North Carolina shall not be allocated by the Board of Governors to the constituent institutions and affiliated entities using an across-the-board method but shall be done in a manner that recognizes the importance of the academic missions and differences among The University of North Carolina entities.

Before taking reductions in instructional budgets, the Board of Governors and the campuses of the constituent institutions shall consider all of the following:

- (1) Reducing State funding for centers and institutes, speaker series, and other nonacademic activities.
- (2) Faculty workload adjustments.
- (3) Restructuring of research activities.
- (4) Implementing cost-saving span of control measures.
- (5) Reducing the number of senior and middle management positions.
- (6) Eliminating low-performing, redundant, or low-enrollment programs.
- (7) Using alternative funding sources.
- (8) Protecting direct classroom services.

The Board of Governors and the campuses of the constituent institutions also shall review the institutional trust funds and the special funds held by or on behalf of The University of North Carolina and its constituent institutions to determine whether there are monies available in those funds that can be used to assist with operating costs. In addition, the campuses of the constituent institutions also shall require their faculty to have a teaching workload equal to the national average in their Carnegie classification.

SECTION 11.4.(b) In allocating the management flexibility reduction, no reduction in State funds shall be allocated in either fiscal year of the 2015-2017 biennium to any of the following:

- (1) UNC Need-Based Financial Aid.
- (2) North Carolina Need-Based Scholarship.
- (3) Elizabeth City State University.
- (4) Fayetteville State University.
- (5) NC School of Science and Mathematics.
- (6) University of North Carolina at Asheville.
- (7) University of North Carolina School of the Arts.
- (8) State funds allocated to NC State University for support to the Agriculture Education/Future Farmers of America Program.

SECTION 11.4.(c) The University of North Carolina shall report on the implementation of the management flexibility reduction in subsection (a) of this section to the Office of State Budget and Management and the Fiscal Research Division no later than April 1, 2016. This report shall identify both of the following by campus:

- (1) The total number of positions eliminated by type (faculty/nonfaculty).
- (2) The low-performing, redundant, and low-enrollment programs that were eliminated.

UNC TO FUND NORTH CAROLINA RESEARCH CAMPUS

SECTION 11.5. Of the funds appropriated in this act to the Board of Governors of The University of North Carolina, the Board of Governors shall use twenty-nine million dollars (\$29,000,000) for the 2015-2016 fiscal year and twenty-nine million dollars (\$29,000,000) for

the 2016-2017 fiscal year to support UNC-related activities at the North Carolina Research Campus at Kannapolis.

LIMIT USE OF STATE FUNDS FOR UNC ADVANCEMENT PROGRAMS

SECTION 11.6. For the 2015-2016 fiscal year and subsequent fiscal years, a constituent institution as defined in G.S. 116-2 shall not expend more than one million dollars (\$1,000,000) of State funds annually on advancement programs. Constituent institutions shall take reasonable actions to increase the reliance of advancement programs on funds generated from fund-raising activities.

NC GUARANTEED ADMISSION PROGRAM (NCGAP)

SECTION 11.7.(a) The General Assembly finds that the six-year graduation rate for students pursuing a baccalaureate degree from any constituent institution of The University of North Carolina is too low. The General Assembly further finds that it is important to design and implement a program for the purpose of achieving the following goals: to assist more students to obtain a baccalaureate degree within a shorter time period; to provide students with a college education at significantly lower costs for both the student and the State; to help decrease the amount of debt resulting from loans that a student may owe upon graduation; to provide a student with an interim degree that may increase a student's job opportunities if the student chooses not to continue postsecondary education; and to provide easier access to academic counseling that will assist a student in selecting coursework that reflects the student's educational and career goals and helps the student succeed academically.

SECTION 11.7.(b) To address the issues and goals set out in subsection (a) of this section, the Board of Governors of The University of North Carolina shall establish a deferred admission program for students identified as academically at risk to be known as the North Carolina Guaranteed Admission Program (NCGAP). Under NCGAP, each constituent institution shall analyze its current six-year graduation rate, determine what factors lead to academic success and failure within those campuses, and report those findings to the Board of Governors of The University of North Carolina no later than January 30, 2016.

Based on the results of the analysis conducted pursuant to this subsection, the constituent institution shall develop a deferred admission program that requires a student who satisfies the admission criteria of the constituent institution but whose academic credentials are not as competitive as other students admitted to the institution to enroll in a community college in this State and earn an associate degree prior to enrolling as a student at the constituent institution. A student who earns an associate degree from a community college in this State within three years from the date of the deferred acceptance is guaranteed admission at that constituent institution to complete the requirements for a baccalaureate degree. A constituent institution shall hold in reserve an enrollment slot in the appropriate future academic year for any student who accepts a deferred admission. A constituent institution shall also reduce its enrollment for each academic year by the number of deferred admissions granted for that academic year.

The Board of Governors of The University of North Carolina shall ensure that a minimum of 1,305 budget FTEs are deferred admissions and is encouraged to increase the number of deferred admissions as appropriate.

SECTION 11.7.(c) The State Board of Community Colleges, in consultation with the Board of Governors of The University of North Carolina, shall adopt rules to ensure that a student participating in NCGAP is provided counseling and assistance in selecting coursework that reflects the student's educational and career goals and that provides a smooth transition from the community college to the constituent institution.

SECTION 11.7.(d) The State Board of Community Colleges shall allocate a portion of the nonrecurring funds appropriated to the NCGAP Reserve by this act for the

2016-2017 fiscal year to assist community colleges with students who are participating in NCGAP.

SECTION 11.7.(e) The Board of Governors of The University of North Carolina shall study and report to the Joint Legislative Education Oversight Committee by March 1, 2016, on methods to improve the collection of data regarding completion and outcomes of students who enroll as undergraduates. The report shall include (i) methods of measuring completion by student, year, and type of entry and (ii) methods of measuring success by student, year, and type of entry.

SECTION 11.7.(f) NCGAP shall be implemented for the 2016-2017 academic year and shall continue for each subsequent academic year.

SECTION 11.7.(g) This section does not apply to the North Carolina School of Science and Mathematics.

**APPALACHIAN STATE UNIVERSITY TEACHER RECRUITMENT
PROGRAM/FRIDAY INSTITUTE EVALUATION OF TEACHER RECRUITMENT
AND PREPARATION PROGRAMS**

SECTION 11.8.(a) Of the funds appropriated by this act to the Board of Governors of The University of North Carolina, the sum of ninety-one thousand dollars (\$91,000) for the 2015-2016 fiscal year and the sum of ninety-one thousand dollars (\$91,000) for the 2016-2017 fiscal year shall be allocated to the College of Education at Appalachian State University. These funds shall be used for a personnel position to implement a pilot program to recruit undergraduate students to the College of Education and to provide counseling and advising services to those students once enrolled.

SECTION 11.8.(b) Of the funds appropriated by this act to the Board of Governors of The University of North Carolina, the sum of two hundred thirty-five thousand dollars (\$235,000) for the 2015-2016 fiscal year and the sum of four hundred seventy thousand dollars (\$470,000) for the 2016-2017 fiscal year shall be allocated to the Friday Institute for Educational Innovation at North Carolina State University to be used to conduct a three-year evaluation of six teacher recruitment and training programs in North Carolina that meet the following criteria:

- (1) One university program that focuses on recruiting high school high achievers into a four-year teacher preparation program, such as the Maynard Scholarship at East Carolina University.
- (2) One university program that focuses on recruiting undergraduate students into teacher preparation programs, such as the Teacher Education Marketing Pilot at Appalachian State University.
- (3) One university program that focuses on providing fifth-year students an opportunity to earn a Masters of Arts in Teaching in a shortened time frame, such as the MAT Program at Meredith College.
- (4) One university program that focuses on connecting community college students to university teacher preparation programs in connection with the Comprehensive Articulation Agreement and related 2+2 initiatives, such as the 2+2 Online Program in Agricultural Education at North Carolina Agricultural and Technical State University.
- (5) The Regional Alternative Licensing Centers that are focused on improving the quality and effectiveness of the workforce to lateral entry process.
- (6) One innovative statewide university program focused on improving the recruitment of educators, such as NC INSPIRE at the University of North Carolina at Charlotte.

Each evaluation shall be contingent upon the continued operation of each program being evaluated.

1 **SECTION 11.8.(c)** Over the course of the three-year evaluation described in
2 subsection (b) of this section, the Friday Institute shall, at a minimum, measure the following
3 outcomes at each of the selected programs:

- 4 (1) Number of applicants and participants and progress toward one hundred
5 percent (100%) participant capacity.
- 6 (2) Applicant and participant diversity, including information about
7 demographics and geographic location.
- 8 (3) Where applicable, indicators of participant quality, including participants'
9 grade point averages and initial leadership qualities and the quality of
10 participants' colleges and universities.
- 11 (4) Cost per program and per participant.
- 12 (5) Participant assessment of program quality, including information gathered
13 from participants via surveys, focus groups, or interviews.
- 14 (6) Independent, rubric-based observer assessment of program quality.
- 15 (7) Program completion rates.
- 16 (8) Hiring locations for program completers.
- 17 (9) Changes in program participation rates and cohort size across time.
- 18 (10) Changes in applicant and participant diversity, including information about
19 demographics and geographic locations.
- 20 (11) Where applicable, changes in participant quality across time, including
21 changes in cohort grade point averages, the quality of participants' colleges
22 and universities, and direct and indirect measurements of leadership growth.
- 23 (12) Changes in costs across time, including the costs per program and the costs
24 per participant over time.

25 Where practical, the Friday Institute shall consult with the State Board of Education
26 and the Board of Governors on the design and implementation of the evaluations.

27 **SECTION 11.8.(d)** Beginning December 1, 2016, and annually thereafter until
28 submission of a final report on December 1, 2018, the Friday Institute shall report to the Joint
29 Legislative Education Oversight Committee on the status of the evaluation process for each of
30 the selected programs conducted pursuant to subsections (b) and (c) of this section, including
31 any outcome data that can be reliably measured at the time of the report. If, upon the
32 submission of the final report, the Friday Institute finds further outcomes could be determined,
33 the Friday Institute may request a six-month, no-cost extension to submit a revised version of
34 the final report.

35 **SECTION 11.8.(e)** The funds allocated pursuant to subsection (b) of this section
36 for the 2015-2017 fiscal biennium shall not revert but shall remain available for expenditures
37 pursuant to subsections (b), (c), and (d) of this section through the 2017-2018 fiscal year. Any
38 unexpended, unencumbered balance of these funds shall revert at the end of the 2017-2018
39 fiscal year.

40 41 **TRANSFORMING PRINCIPAL PREPARATION**

42 **SECTION 11.9.(a)** Purpose. – The purpose of this section is to establish a
43 competitive grant program for eligible entities to elevate educators in North Carolina public
44 schools by transforming the preparation of principals across the State. The State Education
45 Assistance Authority (Authority) shall administer this grant program through a cooperative
46 agreement with a private, nonprofit corporation to provide funds for the preparation and
47 support of highly effective future school principals in North Carolina.

48 **SECTION 11.9.(b)** Definitions. – For the purposes of this section, the following
49 definitions apply:

- 50 (1) Eligible entity. – A for-profit or nonprofit organization or an institution of
51 higher education that has an evidence-based plan for preparing school

leaders who implement school leadership practices linked to increased student achievement.

- (2) High-need school. – A public school, including a charter school, that meets one or more of the following criteria:
 - a. Is a school identified under Part A of Title I of the Elementary and Secondary Education Act of 1965, as amended.
 - b. Is a persistently low-achieving school, as identified by the Department of Public Instruction for purposes of federal accountability.
 - c. A middle school containing any of grades five through eight that feeds into a high school with less than a sixty percent (60%) four-year cohort graduation rate.
 - d. A high school with less than a sixty percent (60%) four-year cohort graduation rate.
- (3) Principal. – The highest administrative official in a public school building with primary responsibility for the instructional leadership, talent management, and organizational development of the school.
- (4) School leader. – An individual employed in a school leadership role, including principal or assistant principal roles.
- (5) Student achievement. – At the whole school level, after three years of leading a school, consistent and methodologically sound measures of:
 - a. Student academic achievement.
 - b. Aggregated individual student academic growth.
 - c. Additional outcomes, such as high school graduation rates, the percentage of students taking advanced-level coursework, or the percentage of students who obtain a career-related credential through a national business certification exam.

SECTION 11.9.(c) Program Authorized. – The Authority shall award grants to eligible entities to support programs that develop well-prepared school leaders in accordance with the provisions of this section. The Authority shall establish any necessary rules to administer the grant program.

SECTION 11.9.(d) Contract With a Nonprofit for Administration. – By September 1, 2015, the Authority shall issue a Request for Proposal (RFP) for a private, nonprofit corporation to contract with the Authority for the administration of the program, including making recommendations to the Authority for the award of grants, as authorized by this section. The nonprofit corporation applying to the Authority shall meet at least the following requirements:

- (1) The nonprofit corporation shall be a nonprofit corporation organized pursuant to Chapter 55A of the General Statutes and shall comply at all times with the provisions of section 501(c)(3) of the Internal Revenue Code.
- (2) The nonprofit corporation shall employ sufficient staff who have demonstrated a capacity for the development and implementation of grant selection criteria and a selection process to promote innovative school leader education programs, including:
 - a. Focus on school leader talent.
 - b. Expertise supporting judgments about grant renewal based on achievement of or substantial school leader progress toward measurable results in student achievement.
 - c. Expectation of creating positive experiences working with the educational community in North Carolina to establish the foundation for successfully administering the programs set forth in this section.

- (3) The nonprofit corporation shall comply with the limitations on lobbying set forth in section 501(c)(3) of the Internal Revenue Code.
- (4) No State officer or employee may serve on the board of the nonprofit corporation.
- (5) The board of the nonprofit corporation shall meet at least quarterly at the call of its chair.

SECTION 11.9.(e) Report on Selection of the Nonprofit. – The Authority shall select a nonprofit corporation to enter into a contract with to administer the program by January 1, 2016. The Authority shall report to the Joint Legislative Education Oversight Committee on the selection of the nonprofit corporation by January 15, 2016.

SECTION 11.9.(f) Application Requirements. – The nonprofit corporation entering into a contract with the Authority under subsection (d) of this section shall issue an initial RFP with guidelines and criteria for the grants no later than March 1, 2016. An eligible entity that seeks a grant under the program authorized by this section shall submit to the nonprofit corporation an application at such time, in such manner, and accompanied by such information as the nonprofit may require. An applicant shall include at least the following information in its response to the RFP for consideration by the nonprofit corporation:

- (1) The extent to which the entity has a demonstrated record of preparing school leaders who implement school leadership practices linked to increased student achievement.
- (2) The extent to which the entity has a rigorous school leader preparation program design that includes the following research-based programmatic elements:
 - a. A proactive, aggressive, and intentional recruitment strategy.
 - b. Rigorous selection criteria based on competencies that are predictive of success as a school leader, including, but not limited to, evidence of significant positive effect on student learning growth in the classroom, at the school-level, and the local school administrative unit-level, professional recommendations, evidence of problem solving and critical thinking skills, achievement drive, and leadership of adults.
 - c. Alignment to high-quality national standards for school leadership development.
 - d. Rigorous coursework that effectively links theory with practice through the use of field experiences and problem-based learning.
 - e. Full-time clinical practice of at least five months in duration in an authentic setting, including substantial leadership responsibilities where candidates are evaluated on leadership skills and effect on student outcomes as part of program completion.
 - f. Multiple opportunities for school leader candidates to be observed and coached by program faculty and staff.
 - g. Clear expectations for and firm commitment from school leaders who will oversee the clinical practice of candidates.
 - h. Evaluation of school leader candidates during and at the end of the clinical practice based on the North Carolina School Executive Evaluation Rubric.
 - i. A process for continuous review and program improvement based on feedback from partnering local school administrative units and data from program completers, including student achievement data.

- j. Established relationship and feedback loop with affiliated local school administrative units that is used to inform and improve programmatic elements from year to year based on units' needs.

SECTION 11.9.(g) Priorities. – The nonprofit corporation shall evaluate the applicants for grants by giving priority to an eligible entity with a record of preparing principals demonstrating the following:

- (1) Improvement in student achievement.
- (2) Placement as school leaders in eligible schools.
- (3) A proposed focus on and, if applicable, a record of serving high-need schools, high-need local school administrative units, or both.
- (4) A detailed plan and commitment to share lessons learned and to improve the capacity of other entities in reaching similar outcomes.

SECTION 11.9.(h) Uses of Funds. – By June 1, 2016, the nonprofit corporation shall recommend to the Authority the recipients of grants under the program. Each eligible entity that receives grant funds shall use those funds to carry out the following:

- (1) Recruiting and selecting, based on a rigorous evaluation of the competencies of the school leader candidates participating in the program and their potential and desire to become effective school leaders.
- (2) Operating a school leader preparation program by doing the following:
 - a. Utilizing a research-based content and curriculum, including embedded participant assessments to evaluate candidates before program completion, that prepares candidates to do the following:
 1. Provide instructional leadership, such as developing teachers' instructional practices and analyzing classroom and school-wide data to support teachers.
 2. Manage talent, such as developing a high-performing team.
 3. Build a positive school culture, such as building a strong school culture focused on high academic achievement for all students, including gifted and talented students, students with disabilities, and English learners, maintaining active engagement with family and community members, and ensuring student safety.
 4. Develop organizational practices, such as aligning staff, budget, and time to the instructional priorities of the school.
 - b. Providing opportunities for sustained and high-quality job-embedded practice in an authentic setting where candidates are responsible for moving the practice and performance of a subset of teachers or for school-wide performance as principal-in-planning or interim school leaders.
- (3) Collecting data on program implementation and program completion outcomes for continuous program improvement.

SECTION 11.9.(i) Duration of Grants. – The nonprofit corporation shall also recommend to the Authority the duration and renewal of grants to eligible entities according to the following:

- (1) The duration of grants shall be as follows:
 - a. Grants shall be no more than five years in duration.
 - b. The nonprofit corporation may recommend renewal of a grant based on performance, including allowing the grantee to scale up or replicate the successful program as provided in subdivision (2) of this subsection.

- (2) In evaluating performance for purposes of grant renewal and making recommendations to the Authority, the nonprofit corporation shall consider:
- a. For all grantees, the primary consideration in renewing grants shall be the extent to which program participants improved student achievement in eligible schools.
 - b. Other criteria from data received in the annual report in subsection (j) of this section may include the following:
 1. The percentage of program completers who are placed as school leaders in this State within three years of receiving a grant.
 2. The percentage of program completers who are rated proficient or above on the North Carolina School Executive Evaluation Rubric.

SECTION 11.9.(j) Reporting Requirements for Grant Recipients. – Recipients of grants under the program shall submit an annual report to the nonprofit corporation contracting with the Authority, beginning in the third year of the grant, with any information requested by the nonprofit corporation. Whenever practicable and within a reasonable amount of time, grant recipients shall also make all materials developed as part of the program and with grant funds publically available to contribute to the broader sharing of promising practices. Materials shall not include personally identifiable information regarding individuals involved or associated with the program, including, without limitation, applicants, participants, supervisors, evaluators, faculty, and staff, without their prior written consent. The nonprofit corporation shall work with recipients and local school administrative units, as needed, to enable the collection, analysis, and evaluation of at least the following relevant data, within necessary privacy constraints:

- (1) Student achievement in eligible schools.
- (2) The percentage of program completers who are placed as school leaders within three years in the State.
- (3) The percentage of program completers rated proficient or above on school leader evaluation and support systems.

SECTION 11.9.(k) Licensure Process. – By June 1, 2016, the State Board of Education shall adopt a policy to provide for a specific licensure process applicable to school administrators who provide documentation to the State Board of successful completion of a principal preparation program selected for a competitive grant in accordance with this section.

SECTION 11.9.(l) Evaluation and Revision of Program. – The nonprofit corporation administering the program shall provide the State Board of Education with the data collected in accordance with subsection (j) of this section on an annual basis. By September 15, 2021, the State Board of Education, in coordination with the Board of Governors of The University of North Carolina, shall revise, as necessary, the licensure requirements for school administrators and the standards for approval of school administrator preparation programs after evaluating the data collected from the grant recipients, including the criteria used in selecting grant recipients and the outcomes of program completers. The State Board of Education shall report to the Joint Legislative Education Oversight Committee by November 15, 2021, on any changes made to the licensure requirements for school administrators and the standards for approval of school administrator preparation programs in accordance with this section.

SECTION 11.9.(m) Of the funds appropriated each fiscal year for this program, the sum of five hundred thousand dollars (\$500,000) shall be allocated to the State Education Assistance Authority to contract with the nonprofit corporation selected pursuant to subsection (e) of this section to establish and administer the program. The State Education Assistance

Authority may use up to five percent (5%) of those funds each fiscal year for administrative costs.

SECTION 11.9.(n) Of the funds appropriated each fiscal year for this program, the sum of nine million dollars (\$9,000,000) shall be allocated to the State Education Assistance Authority to award grants to selected recipients.

SECTION 11.9.(o) This section is effective when this act becomes law.

TEACHER RECRUITMENT AND SCHOLARSHIPS

SECTION 11.10.(a) Article 23 of Chapter 116 of the General Statutes is amended by adding a new Part to read:

"Part 3. North Carolina Competitive Teaching Scholarship Loan Program.

"§ 116-209.60. Definitions.

The following definitions apply in this Part:

- (1) Commission. – The North Carolina Competitive Teaching Scholarship Loan Commission.
- (2) Director. – The Director of the North Carolina Competitive Teaching Scholarship Loan Program.
- (3) Fund. – The North Carolina Competitive Teaching Scholarship Loan Fund.
- (4) Program. – The North Carolina Competitive Teaching Scholarship Loan Program.
- (5) Scholarship loan. – A forgivable scholarship loan made under the Program.

"§ 116-209.61. North Carolina Competitive Teaching Scholarship Loan Commission established; membership.

(a) Commission Established. – There is established the North Carolina Competitive Teaching Scholarship Loan Commission. The Director of the North Carolina Competitive Teaching Scholarship Loan Program shall staff the Commission. The Authority shall be responsible for implementing scholarship loan agreements, monitoring, cancelling through service, collecting, and otherwise enforcing the agreements for the Program scholarship loans established in accordance with this Part.

(b) Membership. – The Commission shall consist of 11 members appointed or shall serve ex officio as follows:

- (1) One dean of an approved school of education at a postsecondary constituent institution of The University of North Carolina, appointed by the President of The University of North Carolina.
- (2) One dean of an approved school of education at a private postsecondary institution operating in the State, appointed by the President of the North Carolina Independent Colleges and Universities, Inc.
- (3) The North Carolina Teacher of the Year, ex officio.
- (4) A teacher who graduated from an approved teacher preparation program located in the State within three years of appointment to serve on the Commission, appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives.
- (5) The North Carolina Principal of the Year, ex officio.
- (6) A principal, appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate.
- (7) The North Carolina Superintendent of the Year, ex officio.
- (8) One member to represent business and industry appointed by the Governor.
- (9) One local school board member appointed by the chair of the State Board of Education.
- (10) The chairperson of the Board of the State Education Assistance Authority, ex officio.

1 (11) The Director of the North Carolina Competitive Teaching Scholarship Loan
2 Program, ex officio. The Director shall chair the Commission.

3 (c) Terms of Office. – Appointments to the Commission shall be for two-year terms,
4 expiring on July 1 in odd-numbered years. Members serving ex officio, other than the
5 chairperson of the Board of the State Education Assistance Authority and Director of the North
6 Carolina Competitive Teaching Scholarship Loan Program, who have otherwise completed
7 their term of service, shall continue to serve on the Commission until July 1, annually.

8 (d) Vacancies. – Except as otherwise provided, if a vacancy occurs in the membership,
9 the appointing authority shall appoint another person to serve for the balance of the unexpired
10 term.

11 (e) Expenses. – Commission members shall receive per diem, subsistence, and travel
12 allowances in accordance with G.S. 138-5 or G.S. 138-6, as appropriate.

13 (f) Meetings. – The Commission shall meet regularly, at times and places deemed
14 necessary by the chair.

15 **"§ 116-209.62. North Carolina Competitive Teaching Scholarship Loan Program**
16 **established; administration.**

17 (a) Program. – There is established the North Carolina Competitive Teaching
18 Scholarship Loan Program to be administered by the Authority in collaboration with the
19 Commission. The purpose of the Program is to recruit, prepare, and support North Carolina
20 residents for preparation as highly effective teachers serving in hard-to-staff licensure areas and
21 hard-to-staff schools. The Program shall be used to provide a scholarship loan to individuals
22 interested in preparing to teach in the public schools of the State in hard-to-staff licensure areas
23 and hard-to-staff schools.

24 (b) Fund. – There is established the North Carolina Competitive Teaching Scholarship
25 Loan Program Fund to be administered by the Authority. The purpose of the Fund is to provide
26 financial assistance to qualified students for completion of teacher education and licensure
27 programs to fill hard-to-staff licensure areas and hard-to-staff schools in the State. All funds
28 appropriated to or otherwise received by the Authority to provide loans through the Program,
29 all funds received as repayment of loans, and all interest earned on these funds shall be placed
30 in the Fund. The Fund shall be used only for loans made pursuant to this section and for
31 administrative costs of the Authority.

32 (c) Director. – The board of directors of the Authority shall appoint a Director of the
33 Program. The Director shall chair and staff the Commission and shall be responsible for
34 recruitment and coordination of the Program, including proactive, aggressive, and strategic
35 recruitment of potential recipients, active engagement with educators, business leaders, experts
36 in human resources, elected officials, and other community leaders throughout the State, and
37 attracting candidates in hard-to-staff licensure areas. The Authority shall provide office space
38 and clerical support staff for the Program.

39 (d) Student Selection Criteria. – The Commission shall determine selection criteria,
40 methods of selection, and shall select recipients to receive scholarship loans. The Commission
41 shall adopt stringent standards for awarding these scholarship loans based on multiple measures
42 to ensure that only the strongest applicants receive them, including, but not limited to, the
43 following:

44 (1) Grade point averages.

45 (2) Performance on relevant career and college readiness assessments.

46 (3) Experience, accomplishments, and other criteria demonstrating qualities
47 positively correlated with highly effective teachers.

48 (4) Stated commitments to either serving in a hard-to-staff school or licensure in
49 a hard-to-staff licensure area for a minimum of four years.

50 (e) Program Selection Criteria. – The Authority shall administer the program in
51 cooperation with selected institutions of higher education with educator preparation programs

selected by the Commission, including North Carolina community colleges, postsecondary constituent institutions of The University of North Carolina, and private postsecondary institutions operating in the State. The Commission shall adopt stringent standards for selection of only the most effective educator preparation programs, including, but not limited to, the following:

- (1) Measures of program quality based on objective criteria developed by third parties.
- (2) Measurable impact of prior graduates on student learning, including impact of graduates teaching in hard-to-staff schools and graduates teaching in hard-to-staff licensure areas.
- (3) Demonstration of appropriate program accreditation and program approval by the State Board of Education.
- (4) Measurable success of the program's clinical component based on student outcomes on a nationally normed and valid pedagogy assessment to determine clinical practice performance.

(f) Awards. – The Program shall provide scholarship loans to selected students to be used at selected institutions for completion of a program leading to teacher licensure as follows:

- (1) North Carolina high school seniors. – Scholarship loans of up to eight thousand five hundred dollars (\$8,500) per year for up to four years.
- (2) Community college students and private, nonprofit two-year college students applying for transfer to an educator preparation program at an institution of higher education. – Scholarship loans of up to eight thousand five hundred dollars (\$8,500) per year for up to two years.
- (3) Individuals currently holding a bachelor's degree seeking preparation for teacher licensure. – Scholarship loans of up to eight thousand five hundred dollars (\$8,500) per year for up to two years.

Scholarship loans may be used for tuition, fees, and the cost of books.

(g) Identification of Hard-to-Staff Licensure Areas and Hard-to-Staff Schools. – The State Board of Education shall annually identify and provide to the Commission and the Authority a list of hard-to-staff areas of licensure and a list of hard-to-staff schools by local school administrative unit using, at a minimum, the following criteria to identify those lists:

- (1) Hard-to-staff licensure areas. – The number of available positions in a licensure area relative to the number of current and anticipated teachers in that area of licensure.
- (2) Hard-to-staff school. – Annual teacher turnover rates, number and percentage of teaching positions unfilled for more than half of the school year, number and percentage of teachers with entry professional educator licenses intended for teachers with two or less years of teaching experience, percentage of students at school failing to meet expected growth, percentage of students at school scoring below grade level on standardized assessments, and school performance grade on the annual school report card.

The Commission shall make the list readily available to applicants. A student awarded a scholarship loan who enrolls in a program leading to a hard-to-staff licensure area shall continue to receive the scholarship and be permitted to fulfill the requirements of the scholarship loan even if that licensure area does not remain on the list following the student's year of enrollment. A student awarded a scholarship loan who, upon graduation, is employed by a local board of education to teach in a hard-to-staff school shall be permitted to fulfill the requirements of the scholarship loan even if that school does not remain on the list following the student's year of initial employment.

(h) Upon the naming of recipients of the scholarship loans by the Commission, the Commission shall transfer to the Authority its decisions. The Authority, in coordination with

the Director, shall perform all of the administrative functions necessary to implement this Part, which functions shall include rule making, dissemination of information, disbursement, receipt, liaison with participating educational institutions, determination of the acceptability of service repayment agreements, and all other functions necessary for the execution, payment, and enforcement of promissory notes required under this Part.

(i) Annual Report. – The Commission, in coordination with the Authority, shall report no later than January 1, 2017, and annually thereafter, to the Joint Legislative Education Oversight Committee regarding the following:

(1) Loans awarded from the Fund, including the following:

- a. Demographic information regarding recipients.
- b. Number of recipients by institution of higher education and program.
- c. Information on number of recipients by anticipated program licensure area.

(2) Placement and repayment rates, including the following:

- a. Number of graduates who have been employed in a hard-to-staff school and number of graduates who have been employed in a hard-to-staff area within two years of program completion.
- b. Number of graduates who have begun loan repayment, including years of service, if any, prior to beginning loan repayment, including information as to whether the person was designated as hard-to-staff area or hard-to-staff subject loan.
- c. Number of graduates who have fulfilled service requirements through employment in a hard-to-staff school and number of graduates who have fulfilled service requirements through employment in a hard-to-staff area.
- d. Number of graduates employed in a hard-to-staff school or hard-to-staff area who have received an overall rating of at least accomplished and of meeting expected growth on applicable standards of the teacher evaluation instrument.
- e. Aggregate information on student growth and proficiency in courses taught by graduates who have fulfilled service requirements through employment in a hard-to-staff school and in a hard-to-staff area.

(3) Selected school outcomes, by program, including the following:

- a. Turnover rate for scholarship loan graduates.
- b. Aggregate information on student growth and proficiency in courses taught by scholarship loan graduates.
- c. Fulfillment rate of scholarship loan graduates.

"§ 116-209.63. Terms of loans; receipt and disbursement of funds.

(a) Notes. – All scholarship loans shall be evidenced by notes made payable to the Authority that bear interest at a rate not to exceed ten percent (10%) per year as set by the Authority and beginning 90 days after completion of the program leading to teacher licensure, or 90 days after termination of the scholarship loan, whichever is earlier. The scholarship loan may be terminated upon the recipient's withdrawal from school or by the recipient's failure to meet the standards set by the Commission.

(b) Forgiveness. – The Authority shall forgive the loan and any interest accrued on the loan if, within seven years after graduation from a program leading to teacher licensure, exclusive of any authorized deferment for extenuating circumstances, the recipient serves for four years as a teacher at a North Carolina public school identified as hard to staff or at a North Carolina public school in an identified hard-to-staff area of licensure, as provided in G.S. 116-209.61(d). The Authority shall also forgive the loan if it finds that it is impossible for the recipient to work for four years, within seven years after completion of the program leading

1 to teacher licensure at a North Carolina public school because of the death or permanent
2 disability of the recipient. If the recipient repays the scholarship loan by cash payments, all
3 indebtedness shall be repaid within eight years after completion of the program leading to
4 teacher licensure supported by the scholarship loan. If the recipient completes a program
5 leading to teacher licensure, payment of principal and interest shall begin no later than 27
6 months after the completion of the program. Should a recipient present extenuating
7 circumstances, the Authority may extend the period to repay the loan in cash to no more than a
8 total of 12 years.

9 (c) Purposes of Fund. – All funds appropriated to, or otherwise received by, the
10 Program for scholarships, all funds received as repayment of scholarship loans, and all interest
11 earned on these funds shall be placed in the Fund. The Fund may be used only for scholarship
12 loans granted under the Program and administrative costs associated with the Program,
13 including recruitment and recovery of funds advanced under the Program. The Authority may
14 use up to two hundred thousand dollars (\$200,000) from the Fund in each fiscal year for its
15 administrative costs, the salary of the Director of the Program, and expenses of the
16 Commission."

17 **SECTION 11.10.(b)** Notwithstanding the requirements established in
18 G.S. 116-209.61, as enacted by this section, initial appointments to the Commission shall be
19 made no later than August 15, 2015. Initial appointment to the Commission shall expire July 1,
20 2017.

21 **SECTION 11.10.(c)** The Commission shall establish initial selection criteria for
22 recipients and institutions of higher education no later than November 15, 2015, and shall make
23 available applications to prospective students no later than December 31, 2015.

24 **SECTION 11.10.(d)** The State Board of Education shall establish criteria and
25 identify hard-to-staff areas of licensure and hard-to-staff schools by local school administrative
26 unit and provide that information to the Commission and Authority no later than November 1,
27 2015.

28 **SECTION 11.10.(e)** The Commission shall select recipients and award the initial
29 scholarship loans for the 2016-2017 school year no later than April 1, 2016.

30 **SPECIAL EDUCATION SCHOLARSHIP CHANGES AND REEVALUATION FUNDS**

31 **SECTION 11.11.(a)** G.S. 115C-112.6 reads as rewritten:

32 **"§ 115C-112.6. Scholarships.**

33 (a) **Scholarship Applications.** – The Authority shall make available no later than May 1
34 annually applications to eligible students for the award of scholarships. Information about
35 scholarships and the application process shall be made available on the Authority's Web site.
36 The Authority shall give priority in awarding scholarships to eligible students who received a
37 scholarship during the previous semester. Except as otherwise provided by the Authority for
38 prior scholarship recipients, scholarships shall be awarded to eligible students in the order in
39 which the applications are received.

40 (a1) **Web Site Availability.** – Information about scholarships and the application process
41 shall be made available on the Authority's Web site. The Authority shall also include
42 information on the Web site notifying parents that federal regulations adopted under IDEA
43 provide that no parentally placed private school child with a disability has an individual right to
44 receive some or all of the special education and related services that the child would receive if
45 enrolled in a public school.

46 (b) **Scholarship Awards.** – Scholarships awarded to eligible students shall be for
47 amounts of not more than ~~three~~four thousand dollars (~~\$3,000~~)(~~\$4,000~~) per semester per eligible
48 student. Eligible students awarded scholarships may not be enrolled in a public school to which
49 that student has been assigned as provided in G.S. 115C-366. Scholarships shall be awarded
50 only for tuition and for the reimbursement of tuition, special education, related services, and
51

educational technology, as provided in subsection (b1) of this section. The Authority shall notify parents in writing of their eligibility to receive scholarships for costs that will be incurred during the spring semester of the following year by December 1 and for costs incurred during the fall semester of that year by July 1.

(b1) Disbursement of Scholarship Funds. – The Authority shall disburse scholarship funds for tuition and for the reimbursement of costs incurred by the parent of an eligible student as follows:

(1) Scholarship endorsement for tuition. – The Authority shall remit, at least two times each school year, scholarship funds awarded to eligible students for endorsement by at least one of the student's parents or guardians for tuition to attend (i) a North Carolina public school other than the public school to which that student has been assigned as provided in G.S. 115C-366 or (ii) a nonpublic school that meets the requirements of Part 1 or Part 2 of Article 39 of this Chapter as identified by the Department of Administration, Division of Nonpublic Education. Scholarship funds shall not be provided for tuition for home schooled students. If the student is attending a nonpublic school, the school must be deemed eligible by the Division of Nonpublic Education, pursuant to G.S. 115C-562.4, and the school shall be subject to the requirements of G.S. 115C-562.5. The parent or guardian shall restrictively endorse the scholarship funds awarded to the eligible student to the school for deposit into the account of the school. The parent or guardian shall not designate any entity or individual associated with the school as the parent's attorney-in-fact to endorse the scholarship funds but shall endorse the scholarship funds in person at the site of the school. A parent's or guardian's failure to comply with this section shall result in forfeiture of the scholarship funds. A scholarship forfeited for failure to comply with this section shall be returned to the Authority to be awarded to another student.

(2) Scholarship Reimbursements.—reimbursements for costs. – Scholarship reimbursement for costs incurred shall be provided as follows:

(1)a. Preapproval process. – Prior to the start of each school semester, the parent of an eligible student may submit documentation of the tuition, special education, related services, or educational technology the parent anticipates incurring costs on in that semester for preapproval by the Authority.

(2)b. Reimbursement submissions. – Following the conclusion of each school semester, the parent of an eligible student shall submit to the Authority any receipts or other documentation approved by the Authority to demonstrate the costs incurred during the semester. In addition, parents shall provide documentation of the following to seek reimbursement:

a. Tuition reimbursement.—Parents may only receive reimbursement for tuition if the parent provides documentation that the student was enrolled in nonpublic school or public school for which payment of tuition is required for no less than 75 days of the semester for which the parent seeks reimbursement. Tuition reimbursement shall not be provided for home-schooled students.

b.1. Special education reimbursement. – Parents may only receive reimbursement for special education if the parent provides documentation that the student received special education for no less than 75 days of the semester for which the parent

1 seeks reimbursement. Special education reimbursement shall
2 not be provided for special education instruction provided to
3 a home schooled student by a member of the household of a
4 home school, as defined in G.S. 115C-563(a).

5 e-2. Related services reimbursement. – Parents may only receive
6 reimbursement for related services if the parent provides
7 documentation that the student also received special
8 education for no less than 75 days of the semester for which
9 the parent seeks reimbursement for the related services.
10 Related services reimbursement shall not be provided for
11 related services provided to a home schooled student by a
12 member of the household of a home school, as defined in
13 G.S. 115C-563(a).

14 d-3. Educational technology reimbursement. – Parents may only
15 receive reimbursement for educational technology if the
16 parent provides documentation that the student used the
17 educational technology for no less than 75 days of the
18 semester for which the parent seeks reimbursement.

19 (3)c. Scholarship award. – The Authority shall award a scholarship in the
20 amount of costs demonstrated by the parent up to the maximum
21 amount. If the costs incurred by the parent do not meet the maximum
22 amount, the Authority shall use the remainder of those funds for the
23 award of scholarships to eligible students for the following semester.
24 The Authority shall award scholarships to the parents of eligible
25 students at least semiannually.

26 (c) Student Reevaluation. – After an eligible student's initial receipt of a scholarship,
27 the Authority shall ensure that the student is reevaluated at least every three years by the local
28 educational agency in order to verify that the student continues to be a child with a disability.

29 (d) Rule Making. – The Authority shall establish rules and regulations for the
30 administration and awarding of scholarships. The Authority shall adopt rules providing for pro
31 rata return of funds if a student withdraws prior to the end of the semester from a school to
32 which scholarship funds have been remitted. The Authority shall annually develop a list of
33 educational technology for which scholarships may be used and shall provide scholarship
34 recipients with information about the list.

35 (e) Public Records Exception. – Scholarship applications and personally identifiable
36 information related to eligible students receiving scholarships shall not be a public record under
37 Chapter 132 of the General Statutes. For the purposes of this section, personally identifiable
38 information means any information directly related to a student or members of a student's
39 household, including the name, birthdate, address, Social Security number, telephone number,
40 e-mail address, financial information, or any other information or identification number that
41 would provide information about a specific student or members of a specific student's
42 household."

43 **SECTION 11.11.(b)** G.S. 115C-112.9 reads as rewritten:

44 **"§ 115C-112.9. Duties of State Board of Education agencies.**

45 (a) The State Board, as part of its duty to monitor all local educational agencies to
46 determine compliance with this Article and IDEA as provided in G.S. 115C-107.4, shall ensure
47 that local educational agencies do the following:

48 (1) Conduct evaluations requested by a child's parent or guardian of suspected
49 children with disabilities, as defined in G.S. 115C-107.3, in a timely manner
50 as required by IDEA.

(2) Provide reevaluations to identified children with disabilities receiving scholarships as provided in Part 1H of this Article at the request of the parent or guardian to ensure compliance with G.S. 115C-112.6(c).

(b) The Authority shall analyze, in conjunction with the Department of Public Instruction, past trends in scholarship data on an annual basis to ensure that the amount of funds transferred each fiscal year by the Authority to the Department for reevaluations by local school administrative units of eligible students under G.S. 115C-112.6(c) are sufficient and based on actual annual cost requirements."

SECTION 11.11.(c) The Authority shall adopt rules within 60 days of the date this act becomes law providing for pro rata return of funds if a student withdraws prior to the end of the semester from a school to which scholarship funds have been remitted.

SECTION 11.11.(d) This section applies to scholarships awarded for the 2015-2016 school year.

INTERNSHIPS AND CAREER-BASED OPPORTUNITIES FOR STUDENTS ATTENDING HISTORICALLY BLACK COLLEGES AND UNIVERSITIES (HBCU)

SECTION 11.12. (a) The internship program created pursuant to S.L. 2014-100 to provide internships and career-based opportunities for students attending Historically Black Colleges and Universities may be offered to four or more HBCUs in the discretion of the Board of Governors of The University of North Carolina. Further, there is no requirement that Elizabeth City State University be a permanent participant in the internship program. The internship program shall be administered as provided by subsection (b) of this section.

SECTION 11.12.(b) The Board of Governors shall conduct a competitive process to select institutions of higher education that are Historically Black Colleges and Universities to participate in the internship program which links 60 students attending Historically Black Colleges and Universities with North Carolina-based companies. The Board of Governors shall determine the number of institutions that may participate in the program; however, at least two of the institutions shall be private institutions. Funds appropriated by this act for this internship program shall be allocated only to constituent institutions of The University of North Carolina that are designated as an HBCU and private colleges and universities located in North Carolina that are designated as an HBCU.

SECTION 11.12.(c) Of the funds appropriated by this act for the support of the internship program, The University of North Carolina may use up to five percent (5%) for costs associated with administering this program.

SECTION 11.12.(d) This section applies to the 2015-2016 fiscal year and each subsequent fiscal year.

ELIZABETH CITY STATE UNIVERSITY BUDGET STABILIZATION FUNDS REPORT

SECTION 11.13. No later than October 1, 2015, and quarterly thereafter, the president of The University of North Carolina shall report to the Office of State Budget and Management and the Fiscal Research Division of the General Assembly on the status of budget stabilization funds appropriated to Elizabeth City State University by this act for the purpose of enhancing technology related to enrollment and recruitment of students, campus access and safety, and human resources management. The reports shall provide detailed descriptions of the scope of work that has been completed to date, anticipated activities for the next quarter, and a plan with time line to complete the full scope of work. The reports shall also include evidence of improved services and outcomes achieved from improvements implemented using these funds.

UNC ENROLLMENT GROWTH REPORT

SECTION 11.14. G.S. 116-30.7 reads as rewritten:

"§ 116-30.7. Biennial projection of enrollment growth for The University of North Carolina.

By ~~October~~ December 15 of each even-numbered year, the General Administration of The University of North Carolina shall provide to the Joint Education Legislative Oversight Committee and to the Office of State Budget and Management a projection of the total student enrollment in The University of North Carolina that is anticipated for the next biennium. The enrollment projection shall be divided into the following categories and shall include the projected growth for each year of the biennium in each category at each of the constituent institutions: undergraduate students, graduate students (students earning master's and doctoral degrees), first professional students, and any other categories deemed appropriate by General Administration. The projection shall also distinguish between on-campus and distance education students. The projections shall be considered by the Director of the Budget when determining the amount the Director proposes to appropriate to The University of North Carolina in the Recommended State Budget submitted pursuant to G.S. 143C-3-5(b)."

NEED-BASED SCHOLARSHIPS FOR STUDENTS ATTENDING ONLINE PRIVATE SCHOOLS OF HIGHER EDUCATION

SECTION 11.15.(a) G.S. 116-280(3) reads as rewritten:

"§ 116-280. Definitions.

The following definitions apply to this Article:

...

(3) Eligible private postsecondary institution. – A school that is any of the following:

- a. A nonprofit postsecondary educational institution with a main permanent campus located in this State that is not owned or operated by the State of North Carolina or by an agency or political subdivision of the State or by any combination thereof that satisfies all of the following:
 1. Is accredited by the Southern Association of Colleges and Schools under the standards of the College Delegate Assembly of the Association or by the New England Association of Schools and Colleges through its Commission on Institutions of Higher Education.
 2. Awards a postsecondary degree as defined in G.S. 116-15.
- b. A postsecondary institution owned or operated by a hospital authority as defined in G.S. 131E-16(14) or school of nursing affiliated with a nonprofit postsecondary educational institution as defined in sub-subdivision a. of this subsection.
- c. A nonprofit postsecondary online educational institution that is not owned or operated by the State of North Carolina or by an agency or political subdivision of the State or by any combination thereof that satisfies all of the following:
 1. Is accredited by the Northwest Commission on Colleges and Universities through its Commission on Institutions of Higher Education.
 2. Awards a postsecondary degree as defined in G.S. 116-15.
 3. Satisfies the competencies for online educational institutions established by executive order of the Governor."

SECTION 11.15.(b) G.S. 116-282 reads as rewritten:

1 **"§ 116-282. Scholarship amounts; amounts dependent on availability of funds.**

2 (a) Subject to the sum appropriated by the General Assembly for an academic year to
3 be awarded as scholarships under this Article, a scholarship awarded under this Article to a
4 student at an eligible private postsecondary institution shall be determined annually by the
5 Authority based upon the enrollment ~~status~~-status, mode of course delivery for an instructional
6 program, and expected family contribution of the student, consistent with the methodology for
7 the federal Title IV programs.

8 (b) The Authority shall have the power to determine the actual scholarship amounts
9 disbursed to students in any given year based on the sum appropriated for purposes of this
10 Article by the General Assembly for that academic year and any unexpended funds that may be
11 available pursuant to G.S. 116-283.

12 (b1) No scholarship awarded under this Article to a student at an eligible postsecondary
13 online educational institution, when combined with federal Title IV program grant funds, shall
14 be equal to or greater than the amount of the tuition for that academic year.

15 (c) The minimum award of a scholarship under this Article shall be five hundred dollars
16 (\$500.00)."

17 **SECTION 11.15.(c)** G.S. 147-12(a) is amended by adding a new subdivision to
18 read:

19 "(15) To establish competencies and any other standards necessary to ensure that
20 all instructional programs conducted by nonprofit postsecondary online
21 educational institutions shall be of high quality and relevant to student
22 needs."

23
24 **EARLY COLLEGE GRADUATES/UNC ADMISSION POLICY**

25 **SECTION 11.16.(a)** The Board of Governors of The University of North Carolina
26 shall adopt a policy to require each constituent institution to offer to any student who graduated
27 from a cooperative innovative high school program with an associate degree and who applies
28 for admission to the constituent institution the option of being considered for admission as a
29 freshman or as a transfer student. The constituent institution shall also provide written
30 information to the student regarding the consequences that accompany each option and any
31 other relevant information that may be helpful to the student when considering which option to
32 select.

33 **SECTION 11.16.(b)** Beginning November 1, 2016, the Board of Governors shall
34 report annually to the Joint Legislative Education Oversight Committee regarding the number
35 of students who graduated from a cooperative innovative high school program with an
36 associate degree and which option was chosen by those students when applying for admission
37 to a constituent institution.

38 **SECTION 11.16.(c)** This section applies to the 2016-2017 academic year and each
39 subsequent academic year.
40

41 **ADVANCED PLACEMENT/INTERNATIONAL BACCALAUREATE TEACHER**
42 **BONUSES FOR THE NCSSM AND NC SCHOOL OF THE ARTS HIGH SCHOOL**

43 **SECTION 11.17.(a)** Article 29 of Chapter 116 of the General Statutes is amended
44 by adding a new section to read:

45 **"§ 116-235.5. Advanced courses.**

46 (a) Students enrolled in the North Carolina School of Science and Mathematics or in
47 high school courses at the North Carolina School of the Arts shall have access to and shall be
48 encouraged to enroll in and successfully complete more rigorous advanced courses to enable
49 success in postsecondary education. For the purposes of this section, an advanced course is an
50 Advanced Placement or International Baccalaureate Diploma Programme course.

(b) To attain this goal, to the extent funds are made available for this purpose, the following shall be provided:

(1) Students shall be exempt from paying any fees for administration of examinations for advanced courses and registration fees for advanced courses in which the student is enrolled regardless of the score the student achieves on an examination.

(2) Bonuses shall be awarded to teachers of advanced courses according to the following:

a. A bonus in the amount of fifty dollars (\$50.00) for each student taught by an advanced course teacher in each advanced course who receives the following score:

1. For Advanced Placement courses, a score of three or higher on the College Board Advanced Placement Examination.

2. For International Baccalaureate Diploma Programme courses, a score of four or higher on the International Baccalaureate course examination.

b. No teacher shall be awarded bonuses pursuant to this subdivision that exceeds two thousand dollars (\$2,000) in any given school year. The bonus awarded to a teacher pursuant to this subdivision shall be in addition to any regular wage or other bonus the teacher receives or is scheduled to receive.

(c) If funds are appropriated for advanced courses, the State Board of Education shall reimburse The University of North Carolina for fees for advanced courses for students enrolled in the North Carolina School of Science and Mathematics or in high school courses at the North Carolina School of the Arts and bonuses for teachers of those courses as provided in subsection (b) of this section."

SECTION 11.17.(b) G.S. 116-69 reads as rewritten:

"§ 116-69. Purpose of school program.

The primary purpose of the school shall be the professional training, as distinguished from liberal arts instruction, of talented students in the fields of music, drama, the dance, and allied performing arts, at both the high school and college levels of instruction, with emphasis placed upon performance of the arts, and not upon academic studies of the arts. The said school may also offer high school and college instruction in academic subjects, including advanced courses as provided in G.S. 116-235.5, and such other programs as are deemed necessary to meet the needs of its students and of the State, consistent with appropriations made and gifts received therefor, and may cooperate, if it chooses, with other schools which provide such courses of instruction. The school, on occasion, may accept elementary grade students of rare talent, and shall arrange for such students, in cooperation with an elementary school, a suitable educational program."

SEAA FUNDS FOR ADMINISTRATION OF SPECIAL EDUCATION SCHOLARSHIP GRANT PROGRAM

SECTION 11.18. Section 5(b) of S.L. 2013-364 reads as rewritten:

"SECTION 5.(b) Of the funds appropriated to NCSEAA to be used for the award of scholarship grants to eligible students under subsection (a) of this section, for fiscal year 2013-2014, NCSEAA may retain up to two hundred thousand dollars (\$200,000) for administrative costs associated with the scholarship grant program. For fiscal year 2014-2015 and subsequent years, NCSEAA may retain up to ~~two percent (2%)~~ three percent (3%) annually for administrative costs associated with the scholarship grant program."

EDUCATION OPPORTUNITIES FOR STUDENTS WITH DISABILITIES

SECTION 11.19.(a) The Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, with the assistance of the Department of Health and Human Services, Division of Vocational Rehabilitation and Division of Social Services, the Department of Public Instruction, The University of North Carolina, and the North Carolina Community College System, and in consultation with the North Carolina Postsecondary Education Alliance, community stakeholders, and other interested parties, shall:

- (1) Assess gaps and system needs to support transitions of people with disabilities to adulthood.
- (2) Develop a program and fiscal policies to expand and sustain postsecondary education and employment opportunities for people with disabilities.
- (3) Plan and implement approaches to public awareness about postsecondary education and employment for people with disabilities.
- (4) Plan and implement joint policies and common data indicators for tracking the outcomes of people with disabilities after leaving high school.
- (5) Consider options for technology to link agency databases.

The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall report to the Joint Legislative Education Oversight Committee and the Joint Legislative Oversight Committee on Health and Human Services by November 15, 2015, and annually thereafter through November 15, 2017, on the implementation of this section.

SECTION 11.19.(b) The State Education Assistance Authority shall study strategies for ensuring that the State system of financial assistance for postsecondary education is fully available to assist qualified students with disabilities who are enrolled in certificate-based, approved university programs developed for them. The Authority shall report to the Joint Legislative Education Oversight Committee and the Joint Legislative Oversight Committee on Health and Human Services by March 15, 2016, on the results of this study.

PART XII. DEPARTMENT OF HEALTH AND HUMAN SERVICES

SUBPART XII-A. CENTRAL MANAGEMENT AND SUPPORT

TRANSITION TO PERFORMANCE-BASED MANAGED CARE, CARE MANAGEMENT, HEALTH SERVICES, AND HEALTH-RELATED SERVICES CONTRACTS

SECTION 12A.1.(a) The Department of Health and Human Services shall ensure that any contract related to managed care, care management, health services, or health-related services entered into or renewed by the Department, including any of its divisions, on or after the effective date of this section, contains all of the following clauses:

- (1) A clause that clearly defines (i) objective, measurable outcomes and improvements in health status to be achieved at concrete milestones defined by the Department during the contract period and (ii) health outcomes measures to be maintained by the contractor during the contract period.
- (2) A retainage clause specifying that, during the first year of the contract, five percent (5%) of the total amount of payment due from the Department will be withheld pending satisfactory achievement of the objective, measurable outcomes and improvements in health status specified in the contract. For each subsequent year of the contract, this percentage shall increase up to a maximum of ten percent (10%) by the third year of the contract.
- (3) A clause specifying eligibility for, and the amount of, any bonuses to be paid to the contractor for exceeding specific health outcomes and improvements identified by the Department. In the event no bonuses are available for

- 1 exceeding specific health outcomes and improvements, the Department shall
 2 ensure that this clause explicitly states the unavailability of such bonuses.
 3 (4) A termination clause that allows the Department to terminate the contract
 4 without cause upon 30 days' notice.

5 **SECTION 12A.1.(b)** Provider participation agreements are not considered
 6 contracts related to the provision of health services for the purposes of this section.
 7

8 **FUNDING FOR PROGRAMS TO IMPROVE CHILDREN'S HEALTH/ESTABLISH**
 9 **COMPETITIVE GRANTS PROCESS**

10 **SECTION 12A.2.(a)** Findings. – The General Assembly finds that America spends
 11 twice as much on health care as any other nation, yet Americans are not the healthiest people in
 12 the world. Research indicates that spending on health care to treat people may actually come at
 13 the expense of investing in public health programs meant to keep people from getting sick in
 14 the first place. The General Assembly further finds that infant mortality rates are an indicator of
 15 a state's overall health status. North Carolina currently ranks 40th in the nation on infant
 16 mortality. Implementing statewide policies to invest in evidence-based programs that are
 17 scientifically proven to lower infant mortality rates, and improve birth outcomes and the health
 18 of children ages birth to five, will assure that future rankings for North Carolina are among the
 19 best in the nation.

20 **SECTION 12A.2.(b)** Designation of Lead Agency. – The Secretary of the North
 21 Carolina Department of Health and Human Services (Secretary) shall designate a lead agency
 22 that is responsible for doing all of the following:

- 23 (1) Assuming responsibility for controlling all funding and contracts designed to
 24 (i) improve North Carolina's birth outcomes, (ii) improve the overall health
 25 status of children in this State from ages birth to five, and (iii) lower this
 26 State's infant mortality rates.
 27 (2) Working in consultation with the University of North Carolina Gillings
 28 School of Global Public Health to develop a statewide, comprehensive plan
 29 to accomplish the goals described in subdivision (1) of this subsection.
 30 (3) Conducting a justification review of all programs and activities funded with
 31 State appropriations described under subsection (c) of this section.

32 **SECTION 12A.2.(c)** Nonrecurring Allocations. – For fiscal year 2015-2016 only,
 33 the Department of Health and Human Services shall allocate the following designated amounts
 34 for the following programs on a nonrecurring basis:

- | | |
|---|-----------------|
| 35 (1) Maternal and Child Health Contracts | \$ 2,847,094 NR |
| 36 (2) Healthy Beginnings | 170,779 NR |
| 37 (3) Pregnancy Care Case Management | 300,901 NR |
| 38 (4) Maternal, Infant, and Early Childhood Home Visiting | 425,643 NR |
| 39 (5) Triple P-Positive Parenting Program | 828,233 NR |
| 40 (6) NC Perinatal and Maternal Substance Abuse Initiative | 2,729,316 NR |
| 41 (7) Perinatal Substance Abuse Specialist | 45,000 NR |
| 42 (8) Residential Maternity Homes | 375,000 NR |

43 **SECTION 12A.2.(d)** Statewide Proposal and Justification Review. – By March 1,
 44 2016, the Secretary shall submit the statewide proposal developed pursuant to subsection (b) of
 45 this section to the Joint Legislative Oversight Committee on Health and Human Services and
 46 the Fiscal Research Division for consideration during the 2016 Regular Session of the 2015
 47 General Assembly. The statewide proposal shall include at least all of the following:

- 48 (1) Details of the statewide plan and identification of the lead agency
 49 responsible for assuring the success of the plan.

- (2) Justification for continuing, reducing, or eliminating funding for the programs and activities that receive nonrecurring allocations for the 2015-2016 fiscal year.
- (3) Recommendations for reallocation of funding from programs and activities that are not evidence-based and that are not producing positive returns on investment consistent with the goals described in subdivision (1) of subsection (b) of this section.
- (4) Recommendations for investments in new initiatives that accomplish the goals described in subdivision (1) of subsection (b) of this section.

SECTION 12A.2.(e) Establishment of Competitive Grants Process for Local Health Departments. – It is the intent of the General Assembly that, beginning fiscal year 2016-2017, the Department of Health and Human Services implement a competitive grants process for local health departments based on a county's current health status and the county's detailed proposal to invest in evidence-based programs to achieve the goals described in subdivision (1) of subsection (b) of this section. To that end, the Department shall develop a plan that establishes a competitive grants process to be administered by the Division of Central Management and Support. The Department shall develop a plan that, at a minimum, includes each of the following components:

- (1) A request for application (RFA) process to allow local health departments to apply for and receive State funds on a competitive basis.
- (2) A requirement that the Secretary prioritize grant awards to those local health departments that are able to leverage non-State funds in addition to the grant award.
- (3) A process that awards grants to local health departments dedicated to providing services on a countywide basis and that supports the goals described in subdivision (1) of subsection (b) of this section.
- (4) Ensures that funds received by the Department to implement the plan supplement and do not supplant existing funds for health and wellness programs and initiatives.

SECTION 12A.2.(f) Funds for Competitive Grants Process. – Of the funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, the sum of two million five hundred thousand dollars (\$2,500,000) in recurring funds for each year of the 2015-2017 fiscal biennium and the sum of two million five hundred thousand dollars (\$2,500,000) in nonrecurring funds for the 2015-2016 fiscal year shall be used to establish the competitive grants process for local health departments described in subsection (e) of this section. The Department shall not use more than five percent (5%) of these funds for administrative purposes.

SECTION 12A.2.(g) Evaluation Protocol for Future Program Funding. – The Department shall work with the University of North Carolina Gillings School of Global Public Health (School of Global Public Health) to establish an evaluation protocol for determining program effectiveness and future funding requirements at the local level. By April 1, 2016, the Department, in consultation with the School of Global Public Health, shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services on the request for application process to allow local health departments to apply for and receive State funds on a competitive basis. The report shall include the counties awarded, the amount of the award, the types of programs to be funded, and the evaluation process to be used in determining county performance.

CREATION OF OFFICE OF PROGRAM EVALUATION REPORTING AND ACCOUNTABILITY WITHIN THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

SECTION 12A.3. Article 3 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 31A.

"Office of Program Evaluation Reporting and Accountability

"§ 143B-216.52. Department of Health and Human Services; Office of Program Evaluation Reporting and Accountability.

The Office of Program Evaluation Reporting and Accountability (OPERA) is hereby established within the Department of Health and Human Services.

"§ 143B-216.53. Appointment, qualifications, and removal of OPERA Director.

(a) The Secretary of Health and Human Services shall appoint a Director of OPERA, who shall perform the duties of the position independently. The Director shall report directly to the Secretary and shall not report to any other deputy, division director, or staff member of the Department.

(b) The Director must have a minimum of 10 years of experience in program evaluation equivalent to the duties of the office, including at least three years of experience at the management level.

(c) The Director may only be removed by the Governor effective 30 days after written notification by the Secretary of Health and Human Services to the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the State Auditor, and the Director of the Fiscal Research Division of the Legislative Services Office. The notification must itemize the causes and particulars justifying the Director's removal.

"§ 143B-216.54. Duties of the Office of Program Evaluation Reporting and Accountability.

The Office of Program Evaluation Reporting and Accountability has the following duties:

- (1) To assess the evidentiary basis of all Department programs as recommended by Evidence-Based Policymaking: A Guide for Effective Government, a project of the Results First Initiative of the Pew Charitable Trusts and the John D. and Katherine T. MacArthur Foundation.
- (2) To identify and evaluate any Department program when directed by the General Assembly, the Secretary, or as deemed necessary by the Director.
- (3) To develop an Internet Web site containing an inventory of departmental programs consisting of the program name and a link to a program profile. For each program, the profile must contain, at a minimum, all of the following:
 - a. Legal authority for the program.
 - b. Program performance for the past five fiscal years and year to date for the current fiscal year.
 1. Outcome. – The verifiable quantitative effects or results attributable to the program compared to a performance standard.
 2. Output. – The verifiable number of units of services or activities compared to a standard.
 3. Efficiency. – The verifiable total direct and indirect cost per output and per outcome compared to a standard.
 4. Performance standard. – A quantitative indicator based upon best practices, generally recognized standards, or comparisons with relevant programs in other states or regions for gauging achievement of efficiency, output, and outcomes.
 5. Benchmarks. – A broad societal indicator used for gauging ultimate outcomes of the program, such as U.S. Census data.
 - c. Funding by source for the current and previous five fiscal years.

- d. Listing of filled and vacant employee positions as specified by the Office of State Budget and Management.
 - e. Listing of contracts during the previous fiscal year and of the current fiscal year to date with individuals and firms and the actual and authorized cost, funding source, and purposes of those contracts.
 - f. Categorization by evidence of effectiveness as determined by the Office.
 - g. Potential return on investment of each program.
 - h. Findings and recommendations from internal and external State or federal audits, Office program assessments, and program evaluations.
- (4) To assure that the Office Internet Web site allows users to list all of the following:
- a. Programs that exceeded, met, or did not meet performance standards for efficiency, outputs, and outcomes for the immediate preceding fiscal year.
 - b. Programs by category of evidence of effectiveness.
 - c. Programs by potential return on investment.
 - d. Programs listed in a manner determined useful by the Office.
- (5) To cooperate with and respond promptly to requests for program-level data and information from the Office of State Budget and Management, the Fiscal Research and Program Evaluation Divisions of the Legislative Services Office, and the State Auditor.

"§ 143B-216.55. Powers of the Office of Program Evaluation Reporting and Accountability.

The Office of Program Evaluation Reporting and Accountability is authorized to do all of the following:

- (1) Have unfettered access to any data or record maintained by the Department and to assure its confidentiality when required by State or federal law.
- (2) Interview any Department employee or independent contractor without others present.
- (3) Conduct announced or unannounced inspections of departmental-owned or departmental-leased facilities."

HEALTH INFORMATION TECHNOLOGY

SECTION 12A.4.(a) The Department of Health and Human Services, in cooperation with the State Chief Information Officer, shall coordinate health information technology (HIT) policies and programs within the State of North Carolina. The Department's goal in coordinating State HIT policy and programs shall be to avoid duplication of efforts and to ensure that each State agency, public entity, and private entity that undertakes health information technology activities does so within the area of its greatest expertise and technical capability and in a manner that supports coordinated State and national goals, which shall include at least all of the following:

- (1) Ensuring that patient health information is secure and protected, in accordance with applicable law.
- (2) Improving health care quality, reducing medical errors, reducing health disparities, and advancing the delivery of patient-centered medical care.
- (3) Providing appropriate information to guide medical decisions at the time and place of care.
- (4) Ensuring meaningful public input into HIT infrastructure development.

- (5) Improving the coordination of information among hospitals, laboratories, physicians' offices, and other entities through an effective infrastructure for the secure and authorized exchange of health care information.
- (6) Improving public health services and facilitating early identification and rapid response to public health threats and emergencies, including bioterrorist events and infectious disease outbreaks.
- (7) Facilitating health and clinical research.
- (8) Promoting early detection, prevention, and management of chronic diseases.

SECTION 12A.4.(b) The Department of Health and Human Services shall establish and direct an HIT management structure that is efficient and transparent and that is compatible with the Office of the National Health Coordinator for Information Technology (National Coordinator) governance mechanism. The HIT management structure shall be responsible for all of the following:

- (1) Developing a State plan for implementing and ensuring compliance with national HIT standards and for the most efficient, effective, and widespread adoption of HIT.
- (2) Ensuring that (i) specific populations are effectively integrated into the State plan, including aging populations, populations requiring mental health services, and populations utilizing the public health system, and (ii) unserved and underserved populations receive priority consideration for HIT support.
- (3) Identifying all HIT stakeholders and soliciting feedback and participation from each stakeholder in the development of the State plan.
- (4) Ensuring that existing HIT capabilities are considered and incorporated into the State plan.
- (5) Identifying and eliminating conflicting HIT efforts where necessary.
- (6) Identifying available resources for the implementation, operation, and maintenance of health information technology, including identifying resources and available opportunities for North Carolina institutions of higher education.
- (7) Ensuring that potential State plan participants are aware of HIT policies and programs and the opportunity for improved health information technology.
- (8) Monitoring HIT efforts and initiatives in other states and replicating successful efforts and initiatives in North Carolina.
- (9) Monitoring the development of the National Coordinator's strategic plan and ensuring that all stakeholders are aware of and in compliance with its requirements.
- (10) Monitoring the progress and recommendations of the HIT Policy and Standards Committee and ensuring that all stakeholders remain informed of the Committee's recommendations.
- (11) Monitoring all studies and reports provided to the United States Congress and reporting to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division on the impact of report recommendations on State efforts to implement coordinated HIT.

SECTION 12A.4.(c) By no later than January 15, 2016, the Department of Health and Human Services shall provide a written report on the status of HIT efforts to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division. The report shall be comprehensive and shall include all of the following:

- (1) Current status of federal HIT initiatives.
- (2) Current status of State HIT efforts and initiatives among both public and private entities.

- (3) Other State information technology initiatives with potential applicability to State HIT efforts.
- (4) Efforts to ensure coordination and avoid duplication of HIT efforts within the State.
- (5) A breakdown of current public and private funding sources and dollar amounts for State HIT initiatives.
- (6) Department efforts to coordinate HIT initiatives within the State and any obstacles or impediments to coordination.
- (7) HIT research efforts being conducted within the State and sources of funding for research efforts.
- (8) Opportunities for stakeholders to participate in HIT funding and other efforts and initiatives during the next quarter.
- (9) Issues associated with the implementation of HIT in North Carolina and recommended solutions to these issues.

TRANSFER OF OVERSIGHT AND ADMINISTRATION OF STATEWIDE HEALTH INFORMATION EXCHANGE NETWORK

SECTION 12A.5. Of the funds appropriated to the Department of Health and Human Services, Division of Central Management and Support, the sum of three million one hundred sixty thousand six hundred eleven dollars (\$3,160,611) in fiscal year 2015-2016 and the sum of three million one hundred sixty thousand six hundred eleven dollars (\$3,160,611) in fiscal year 2016-2017 shall be used by the Department to effect the transfer of the Orion Master Development Service Agreement and any other underlying contracts or agreements associated with the functionality of the HIE Network, as defined in G.S. 90-413.3, from the North Carolina Health Information Exchange (NC HIE), as defined in G.S. 90-413.3, to the Department of Health and Human Services, in the event of the dissolution of the NC HIE. The Department shall ensure that any transfer agreement contains a clause that obligates the NC HIE, prior to dissolution, to fully cooperate with the Department in all efforts related to the transfer, including providing the Department with access to any requested financial information pertaining to the HIE Network. The Department shall not use these funds for purposes other than the purposes described in this section.

FUNDS FOR NCTRACKS, THE REPLACEMENT MULTIPAYER MEDICAID MANAGEMENT INFORMATION SYSTEM

SECTION 12A.6. Funds appropriated in this act in the amount of two million seven hundred thousand dollars (\$2,700,000) for the 2015-2016 fiscal year and in the amount of one million three hundred forty thousand dollars (\$1,340,000) for the 2016-2017 fiscal year shall be used to match federal funds for NCTRACKS, the replacement multipayer Medicaid Management Information System. In the event these funds are insufficient, the Department may, with prior approval from the Office of State Budget and Management (OSBM), utilize overrealized receipts and funds appropriated to the Department to achieve the level of funding specified in this section for NCTRACKS. The Department shall report to the Joint Legislative Oversight Committees on Health and Human Services and Information Technology and the Fiscal Research Division on the utilization and amounts of any overrealized receipts or other funds used to make up for any shortfall in funding for NCTRACKS.

FUNDS FOR NORTH CAROLINA FAMILIES ACCESSING SERVICES THROUGH TECHNOLOGY (NC FAST)

SECTION 12A.7. Funds appropriated in this act in the amount of five million eight hundred three thousand dollars (\$5,803,000) for the 2015-2016 fiscal year and thirteen million fifty-two thousand dollars (\$13,052,000) for the 2016-2017 fiscal year along with prior year

earned revenue in the amount of nine million four hundred thousand dollars (\$9,400,000) and the cash balance in Budget Code 24410 Fund 2411 for the North Carolina Families Accessing Services through Technology (NC FAST) project shall be used to match federal funds in the 2015-2016 and 2016-2017 fiscal years to expedite the development and implementation of Child Care, Low Income Energy Assistance, Crisis Intervention Programs, Child Services, and NC FAST Federally-Facilitated Marketplace (FFM) Interoperability components of the NC FAST program. The Department shall report any changes in approved federal funding or federal match rates within 30 days after the change to the Joint Legislative Oversight Committees on Health and Human Services and Information Technology and the Fiscal Research Division.

FUNDING FOR NONPROFIT ORGANIZATIONS COMPETITIVE GRANTS PROCESS

SECTION 12A.8.(a) Of the funds appropriated in this act to the Department of Health and Human Services, Division of Central Management and Support, the sum of ten million three hundred twenty-eight thousand nine hundred eleven dollars (\$10,328,911) for each year of the 2015-2017 fiscal biennium and the sum of three million eight hundred fifty-two thousand five hundred dollars (\$3,852,500) appropriated in Section 12I.1 of this act in Social Services Block Grant funds for each year of the 2015-2017 fiscal biennium shall be used to allocate funds for nonprofit organizations.

SECTION 12A.8.(b) The Department shall continue administering a competitive grants process for nonprofit funding. The Department shall administer a plan that, at a minimum, includes each of the following:

- (1) A request for application (RFA) process to allow nonprofits to apply for and receive State funds on a competitive basis.
- (2) A requirement that nonprofits match a minimum of ten percent (10%) of the total amount of the grant award.
- (3) A requirement that the Secretary prioritize grant awards to those nonprofits that are able to leverage non-State funds in addition to the grant award.
- (4) A process that awards grants to nonprofits that have the capacity to provide services on a statewide basis and that support any of the following State health and wellness initiatives:
 - a. A program targeting advocacy, support, education, or residential services for persons diagnosed with autism.
 - b. A system of residential supports for those afflicted with substance abuse addiction.
 - c. A program of advocacy and supports for individuals with intellectual and developmental disabilities or severe and persistent mental illness, substance abusers, or the elderly.
 - d. Supports and services to children and adults with developmental disabilities or mental health diagnoses.
 - e. A food distribution system for needy individuals.
 - f. The provision and coordination of services for the homeless.
 - g. The provision of services for individuals aging out of foster care.
 - h. Programs promoting wellness, physical activity, and health education programming for North Carolinians.
 - i. A program focused on enhancing vision screening through the State's public school system.
 - j. Provision for the delivery of after-school services for apprenticeships or mentoring at-risk youth.

k. The provision of direct services for amyotrophic lateral sclerosis (ALS) and those diagnosed with the disease. No less than four hundred thousand dollars (\$400,000) shall be awarded for a program meeting the requirements of this sub-subdivision.

l. A comprehensive smoking prevention and cessation program that screens and treats tobacco use in pregnant women and postpartum mothers.

m. A program providing long-term residential substance abuse services. For purposes of this sub-subdivision, "long-term" means a minimum of 12 months.

(5) Ensures that funds received by the Department to implement the plan supplement and do not supplant existing funds for health and wellness programs and initiatives.

(6) A requirement that grants be awarded to nonprofits for two years.

SECTION 12A.8.(c) No later than December 1 of each fiscal year, each nonprofit organization receiving funding pursuant to subsection (b) of this section shall submit to the Division of Central Management and Support a written report of all activities funded by State appropriations. The report shall include the following information about the fiscal year preceding the year in which the report is due:

(1) The entity's mission, purpose, and governance structure.

(2) A description of the types of programs, services, and activities funded by State appropriations.

(3) Statistical and demographical information on the number of persons served by these programs, services, and activities, including the counties in which services are provided.

(4) Outcome measures that demonstrate the impact and effectiveness of the programs, services, and activities.

(5) A detailed program budget and list of expenditures, including all positions funded, matching expenditures, and funding sources.

SECTION 12A.8.(d) No later than July 1, 2015, and every two years thereafter, the Secretary shall announce the recipients of the competitive grant awards and allocate funds to the grant recipients for the respective two-year period pursuant to the amounts designated under subsection (a) of this section. After awards have been granted, the Secretary shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services on the grant awards that includes at least all of the following:

(1) The identity and a brief description of each grantee and each program or initiative offered by the grantee.

(2) The amount of funding awarded to each grantee.

(3) The number of persons served by each grantee, broken down by program or initiative.

SECTION 12A.8.(e) For the 2015-2017 fiscal biennium only, from the sum of ten million three hundred twenty-eight thousand nine hundred eleven dollars (\$10,328,911) referred to in subsection (a) of this section, the Department shall allocate the sum of one million three hundred thousand dollars (\$1,300,000) in each year of the 2015-2017 fiscal biennium to Triangle Residential Options for Substance Abusers, Inc., (TROSA) for the purpose of assisting individuals with substance abuse addiction. TROSA shall be required to seek future funding through the competitive grants process in accordance with subsection (b) of this section.

COMMUNITY HEALTH GRANT PROGRAM CHANGES

SECTION 12A.9. The Department of Health and Human Services, Office of Rural Health and Community Care, shall repurpose two million two hundred fifty thousand dollars (\$2,250,000) in Health Net appropriations to the Community Health Grant Program. The new appropriation for this program is seven million six hundred eighty-seven thousand one hundred sixty-nine dollars (\$7,687,169) in recurring funds. To ensure continuity of care, safety-net agencies receiving Health Net funds at the end of the 2014-2015 fiscal year shall be eligible to apply for and receive Community Health Grant funds at their current level of funding for the 2015-2016 and 2016-2017 fiscal years. After the 2016-2017 fiscal year, these agencies must submit an application for funding through the competitive Community Health Grant process. The Community Health Grant Program is available to rural health centers, free clinics, public health departments, school-based health centers, federally qualified health centers, and other nonprofit organizations that provide primary care and preventive health services to low-income populations, including uninsured, underinsured, Medicaid, and Medicare residents across the State.

RURAL HEALTH LOAN REPAYMENT PROGRAMS

SECTION 12A.10.(a) The Department of Health and Human Services, Office of Rural Health and Community Care, shall use funds appropriated in this act for loan repayment to medical, dental, and psychiatric providers practicing in State hospitals or in rural or medically underserved communities in this State to combine the following loan repayment programs in order to achieve efficient and effective management of these programs:

- (1) The Physician Loan Repayment Program.
- (2) The Psychiatric Loan Repayment Program.
- (3) The Loan Repayment Initiative at State Facilities.

SECTION 12A.10.(b) These funds may be used for the following additional purposes:

- (1) Continued funding of the State Loan Repayment Program for primary care providers and expansion of State incentives to general surgeons practicing in Critical Access Hospitals (CAHs) located across the State.
- (2) Expansion of the State Loan Repayment Program to include eligible providers residing in North Carolina who use telemedicine in rural and underserved areas.

SUBPART XII-B. DIVISION OF CHILD DEVELOPMENT AND EARLY EDUCATION

NC PRE-K PROGRAM/STANDARDS FOR FOUR- AND FIVE-STAR RATED FACILITIES

SECTION 12B.1.(a) Eligibility. – The Department of Health and Human Services, Division of Child Development and Early Education, shall continue implementing the prekindergarten program (NC Pre-K). The NC Pre-K program shall serve children who are four years of age on or before August 31 of the program year. In determining eligibility, the Division shall establish income eligibility requirements for the program not to exceed seventy-five percent (75%) of the State median income. Up to twenty percent (20%) of children enrolled may have family incomes in excess of seventy-five percent (75%) of median income if those children have other designated risk factors. Furthermore, any age-eligible child who is a child of either of the following shall be eligible for the program: (i) an active duty member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces who was ordered to active duty by the proper authority within the last 18 months or is expected to be ordered within the next 18 months or (ii) a member of the Armed Forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the Armed Forces

1 who was injured or killed while serving on active duty. Eligibility determinations for
2 prekindergarten participants may continue through local education agencies and local North
3 Carolina Partnership for Children, Inc., partnerships.

4 Other than developmental disabilities or other chronic health issues, the Division
5 shall not consider the health of a child as a factor in determining eligibility for participation in
6 the NC Pre-K program.

7 **SECTION 12B.1.(b) Multiyear Contracts.** – The Division of Child Development
8 and Early Education shall require the NC Pre-K contractor to issue multiyear contracts for
9 licensed private child care centers providing NC Pre-K classrooms.

10 **SECTION 12B.1.(c) Programmatic Standards.** – All entities operating
11 prekindergarten classrooms shall adhere to all of the policies prescribed by the Division of
12 Child Development and Early Education regarding programmatic standards and classroom
13 requirements.

14 **SECTION 12B.1.(d) NC Pre-K Committees.** – Local NC Pre-K committees shall
15 use the standard decision-making process developed by the Division of Child Development and
16 Early Education in awarding prekindergarten classroom slots and student selection.

17 **SECTION 12B.1.(e) Reporting.** – The Division of Child Development and Early
18 Education shall submit an annual report no later than March 15 of each year to the Joint
19 Legislative Oversight Committee on Health and Human Services, the Office of State Budget
20 and Management, and the Fiscal Research Division. The report shall include the following:

- 21 (1) The number of children participating in the NC Pre-K program by county.
- 22 (2) The number of children participating in the NC Pre-K program who have
23 never been served in other early education programs such as child care,
24 public or private preschool, Head Start, Early Head Start, or early
25 intervention programs.
- 26 (3) The expected NC Pre-K expenditures for the programs and the source of the
27 local contributions.
- 28 (4) The results of an annual evaluation of the NC Pre-K program.

29 **SECTION 12B.1.(f) Audits.** – The administration of the NC Pre-K program by
30 local partnerships shall be subject to the financial and compliance audits authorized under
31 G.S. 143B-168.14(b).

32 33 **CHILD CARE SUBSIDY RATES**

34 **SECTION 12B.2.(a)** The maximum gross annual income for initial eligibility,
35 adjusted biennially, for subsidized child care services shall be determined based on a
36 percentage of the federal poverty level as follows:

37 38 **AGE INCOME PERCENTAGE LEVEL**

39	0-5	200%
40	6-12	133%

41
42 The eligibility for any child with special needs, including a child who is 13 years of
43 age or older, shall be two hundred percent (200%) of the federal poverty level.

44 **SECTION 12B.2.(b)** Effective July 1, 2015, the Department of Health and Human
45 Services, Division of Child Development and Early Education, shall revise its child care
46 subsidy policy to exclude from the policy's definition of "income unit" a nonparent relative
47 caretaker, and the caretaker's spouse and child, if applicable, when the parent of the child
48 receiving child care subsidy does not live in the home with the child.

49 **SECTION 12B.2.(c)** Fees for families who are required to share in the cost of care
50 are established based on ten percent (10%) of gross family income. Co-payments shall be
51 prorated for part-time care based on policies that were in place prior to October 1, 2014.

1 **SECTION 12B.2.(d)** Payments for the purchase of child care services for
2 low-income children shall be in accordance with the following requirements:

- 3 (1) Religious-sponsored child care facilities operating pursuant to G.S. 110-106
4 and licensed child care centers and homes that meet the minimum licensing
5 standards that are participating in the subsidized child care program shall be
6 paid the one-star county market rate or the rate they charge privately paying
7 parents, whichever is lower, unless prohibited by subsection (g) of this
8 section.
- 9 (2) Licensed child care centers and homes with two or more stars shall receive
10 the market rate for that rated license level for that age group or the rate they
11 charge privately paying parents, whichever is lower, unless prohibited by
12 subsection (g) of this section.
- 13 (3) Nonlicensed homes shall receive fifty percent (50%) of the county market
14 rate or the rate they charge privately paying parents, whichever is lower.
- 15 (4) No payments shall be made for transportation services or registration fees
16 charged by child care facilities.
- 17 (5) Payments for subsidized child care services for postsecondary education
18 shall be limited to a maximum of 20 months of enrollment.
- 19 (6) The Department of Health and Human Services shall implement necessary
20 rule changes to restructure services, including, but not limited to, targeting
21 benefits to employment.

22 **SECTION 12B.2.(e)** Provisions of payment rates for child care providers in
23 counties that do not have at least 50 children in each age group for center-based and
24 home-based care are as follows:

- 25 (1) Except as applicable in subdivision (2) of this subsection, payment rates
26 shall be set at the statewide or regional market rate for licensed child care
27 centers and homes.
- 28 (2) If it can be demonstrated that the application of the statewide or regional
29 market rate to a county with fewer than 50 children in each age group is
30 lower than the county market rate and would inhibit the ability of the county
31 to purchase child care for low-income children, then the county market rate
32 may be applied.

33 **SECTION 12B.2.(f)** A market rate shall be calculated for child care centers and
34 homes at each rated license level for each county and for each age group or age category of
35 enrollees and shall be representative of fees charged to parents for each age group of enrollees
36 within the county. The Division of Child Development and Early Education shall also calculate
37 a statewide rate and regional market rate for each rated license level for each age category.

38 **SECTION 12B.2.(g)** The Division of Child Development and Early Education
39 shall continue implementing policies that improve the quality of child care for subsidized
40 children, including a policy in which child care subsidies are paid, to the extent possible, for
41 child care in the higher-quality centers and homes only. The Division shall define
42 higher-quality, and subsidy funds shall not be paid for one- or two-star-rated facilities. For
43 those counties with an inadequate number of four- and five-star-rated facilities, the Division
44 shall continue a transition period that allows the facilities to continue to receive subsidy funds
45 while the facilities work on the increased star ratings. The Division may allow exemptions in
46 counties where there is an inadequate number of four- and five-star-rated facilities for
47 non-star-rated programs, such as religious programs.

48 **SECTION 12B.2.(h)** Facilities licensed pursuant to Article 7 of Chapter 110 of the
49 General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the
50 program that provides for the purchase of care in child care facilities for minor children of
51 needy families. Except as authorized by subsection (g) of this section, no separate licensing

requirements shall be used to select facilities to participate. In addition, child care facilities shall be required to meet any additional applicable requirements of federal law or regulations. Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the General Statutes shall meet the requirements established by other State law and by the Social Services Commission.

County departments of social services or other local contracting agencies shall not use a provider's failure to comply with requirements in addition to those specified in this subsection as a condition for reducing the provider's subsidized child care rate.

SECTION 12B.2.(i) Payment for subsidized child care services provided with Temporary Assistance for Needy Families Block Grant funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 12B.2.(j) Noncitizen families who reside in this State legally shall be eligible for child care subsidies if all other conditions of eligibility are met. If all other conditions of eligibility are met, noncitizen families who reside in this State illegally shall be eligible for child care subsidies only if at least one of the following conditions is met:

- (1) The child for whom a child care subsidy is sought is receiving child protective services or foster care services.
- (2) The child for whom a child care subsidy is sought is developmentally delayed or at risk of being developmentally delayed.
- (3) The child for whom a child care subsidy is sought is a citizen of the United States.

SECTION 12B.2.(k) The Department of Health and Human Services, Division of Child Development and Early Education, shall require all county departments of social services to include on any forms used to determine eligibility for child care subsidy whether the family waiting for subsidy is receiving assistance through the NC Pre-K Program or Head Start.

CHILD CARE ALLOCATION FORMULA

SECTION 12B.3.(a) The Department of Health and Human Services shall allocate child care subsidy voucher funds to pay the costs of necessary child care for minor children of needy families. The mandatory thirty-percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy allocation. The Department of Health and Human Services shall use the following method when allocating federal and State child care funds, not including the aggregate mandatory thirty-percent (30%) North Carolina Partnership for Children, Inc., subsidy allocation:

- (1) Funds shall be allocated to a county based upon the projected cost of serving children under age 11 in families with all parents working who earn less than the applicable federal poverty level percentage set forth in Section 12B.2 of this act.
- (2) No county's allocation shall be less than ninety percent (90%) of its State fiscal year 2001-2002 initial child care subsidy allocation.
- (3) The Department of Health and Human Services shall allocate to counties all State funds appropriated for child care subsidy and shall not withhold funds during the 2015-2016 and 2016-2017 fiscal years.

SECTION 12B.3.(b) The Department of Health and Human Services may reallocate unused child care subsidy voucher funds in order to meet the child care needs of low-income families. Any reallocation of funds shall be based upon the expenditures of all child care subsidy voucher funding, including North Carolina Partnership for Children, Inc., funds within a county.

1 **SECTION 12B.3.(c)** When implementing the formula under subsection (a) of this
2 section, the Department of Health and Human Services, Division of Child Development and
3 Early Education, shall include the market rate increase in the formula process, rather than
4 calculating the increases outside of the formula process. Additionally, the Department shall do
5 the following:

6 (1) For fiscal year 2015-2016, (i) continue implementing one-third of the change
7 in a county's allocation based on the new Census data; (ii) implement an
8 additional one-third of the change in a county's allocation beginning fiscal
9 year 2016-2017; and (iii) the final one-third change in a county's allocation
10 beginning fiscal year 2018-2019. However, the following applies regarding
11 increases to a county's allocation:

12 a. For the 2015-2016 fiscal year allocations, a county that did not have
13 a child care subsidy waiting list during the 2014-2015 fiscal year
14 shall not receive an increase in its allocation due to the new
15 allocation formula directed in this subdivision.

16 b. Beginning fiscal year 2015-2016, a county whose spending
17 coefficient is below ninety-five percent (95%) in the previous fiscal
18 year shall not receive an increase in its allocation in the following
19 fiscal year. The Division may waive this requirement and allow an
20 increase if the spending coefficient is below ninety-five percent
21 (95%) due to extraordinary circumstances, such as a State or federal
22 disaster declaration in the affected county. By October 1 of each
23 year, the Division shall report to the Joint Legislative Oversight
24 Committee on Health and Human Services and the Fiscal Research
25 Division the counties that received a waiver pursuant to this
26 sub-subdivision and the reasons for the waiver.

27 (2) Effective immediately following the next new Census data release,
28 implement (i) one-third of the change in a county's allocation in the year
29 following the data release; (ii) an additional one-third of the change in a
30 county's allocation beginning two years after the initial change under this
31 subdivision; and (iii) the final one-third change in a county's allocation
32 beginning the following two years thereafter.

33 34 **CHILD CARE FUNDS MATCHING REQUIREMENTS**

35 **SECTION 12B.4.** No local matching funds may be required by the Department of
36 Health and Human Services as a condition of any locality's receiving its initial allocation of
37 child care funds appropriated by this act unless federal law requires a match. If the Department
38 reallocates additional funds above twenty-five thousand dollars (\$25,000) to local purchasing
39 agencies beyond their initial allocation, local purchasing agencies must provide a twenty
40 percent (20%) local match to receive the reallocated funds. Matching requirements shall not
41 apply when funds are allocated because of a disaster as defined in G.S. 166A-19.3(6).
42

43 **CHILD CARE REVOLVING LOAN**

44 **SECTION 12B.5.** Notwithstanding any law to the contrary, funds budgeted for the
45 Child Care Revolving Loan Fund may be transferred to and invested by the financial institution
46 contracted to operate the Fund. The principal and any income to the Fund may be used to make
47 loans, reduce loan interest to borrowers, serve as collateral for borrowers, pay the contractor's
48 cost of operating the Fund, or pay the Department's cost of administering the program.
49

50 **ADMINISTRATIVE ALLOWANCE FOR COUNTY DEPARTMENTS OF SOCIAL** 51 **SERVICES/USE OF SUBSIDY FUNDS FOR FRAUD DETECTION**

SECTION 12B.6.(a) The Department of Health and Human Services, Division of Child Development and Early Education, shall fund the allowance that county departments of social services may use for administrative costs at four percent (4%) of the county's total child care subsidy funds allocated in the Child Care and Development Fund Block Grant plan or eighty thousand dollars (\$80,000), whichever is greater.

SECTION 12B.6.(b) Each county department of social services may use up to two percent (2%) of child care subsidy funds allocated to the county for fraud detection and investigation initiatives.

SECTION 12B.6.(c) The Division of Child Development and Early Education may adjust the allocations in the Child Care and Development Fund Block Grant under Section 12I.1 of this act according to (i) the final allocations for local departments of social services under subsection (a) of this section and (ii) the funds allocated for fraud detection and investigation initiatives under subsection (b) of this section. The Division shall submit a report on the final adjustments to the allocations of the four percent (4%) administrative costs to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division no later than September 30 of each year.

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS

SECTION 12B.7.(a) Policies. – The North Carolina Partnership for Children, Inc., and its Board shall ensure policies focus on the North Carolina Partnership for Children, Inc.'s mission of improving child care quality in North Carolina for children from birth to five years of age. North Carolina Partnership for Children, Inc.-funded activities shall include assisting child care facilities with (i) improving quality, including helping one-, two-, and three-star-rated facilities increase their star ratings and (ii) implementing prekindergarten programs. State funding for local partnerships shall also be used for evidence-based or evidence-informed programs for children from birth to five years of age that do the following:

- (1) Increase children's literacy.
- (2) Increase the parents' ability to raise healthy, successful children.
- (3) Improve children's health.
- (4) Assist four- and five-star-rated facilities in improving and maintaining quality.

SECTION 12B.7.(b) Administration. – Administrative costs shall be equivalent to, on an average statewide basis for all local partnerships, not more than eight percent (8%) of the total statewide allocation to all local partnerships. For purposes of this subsection, administrative costs shall include costs associated with partnership oversight, business and financial management, general accounting, human resources, budgeting, purchasing, contracting, and information systems management. The North Carolina Partnership for Children, Inc., shall continue using a single statewide contract management system that incorporates features of the required standard fiscal accountability plan described in G.S. 143B-168.12(a)(4). All local partnerships are required to participate in the contract management system and, directed by the North Carolina Partnership for Children, Inc., to collaborate, to the fullest extent possible, with other local partnerships to increase efficiency and effectiveness.

SECTION 12B.7.(c) Salaries. – The salary schedule developed and implemented by the North Carolina Partnership for Children, Inc., shall set the maximum amount of State funds that may be used for the salary of the Executive Director of the North Carolina Partnership for Children, Inc., and the directors of the local partnerships. The North Carolina Partnership for Children, Inc., shall base the schedule on the following criteria:

- (1) The population of the area serviced by a local partnership.
- (2) The amount of State funds administered.

- (3) The amount of total funds administered.
- (4) The professional experience of the individual to be compensated.
- (5) Any other relevant factors pertaining to salary, as determined by the North Carolina Partnership for Children, Inc.

The salary schedule shall be used only to determine the maximum amount of State funds that may be used for compensation. Nothing in this subsection shall be construed to prohibit a local partnership from using non-State funds to supplement an individual's salary in excess of the amount set by the salary schedule established under this subsection.

SECTION 12B.7.(d) Match Requirements. – The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to match one hundred percent (100%) of the total amount budgeted for the program in each fiscal year of the 2015-2017 biennium. Of the funds the North Carolina Partnership for Children, Inc., and the local partnerships are required to match, contributions of cash shall be equal to at least eleven percent (11%), and in-kind donated resources shall be equal to no more than four percent (4%) for a total match requirement of fifteen percent (15%) for the 2015-2017 fiscal biennium. The North Carolina Partnership for Children, Inc., may carry forward any amount in excess of the required match for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the match requirement of this subsection. Volunteer services that qualify as professional services shall be valued at the fair market value of those services. All other volunteer service hours shall be valued at the statewide average wage rate as calculated from data compiled by the Employment Security Commission in the Employment and Wages in North Carolina Annual Report for the most recent period for which data are available. Expenses, including both those paid by cash and in-kind contributions, incurred by other participating non-State entities contracting with the North Carolina Partnership for Children, Inc., or the local partnerships, also may be considered resources available to meet the required private match. In order to qualify to meet the required private match, the expenses shall:

- (1) Be verifiable from the contractor's records.
- (2) If in-kind, other than volunteer services, be quantifiable in accordance with generally accepted accounting principles for nonprofit organizations.
- (3) Not include expenses funded by State funds.
- (4) Be supplemental to and not supplant preexisting resources for related program activities.
- (5) Be incurred as a direct result of the Early Childhood Initiatives Program and be necessary and reasonable for the proper and efficient accomplishment of the Program's objectives.
- (6) Be otherwise allowable under federal or State law.
- (7) Be required and described in the contractual agreements approved by the North Carolina Partnership for Children, Inc., or the local partnership.
- (8) Be reported to the North Carolina Partnership for Children, Inc., or the local partnership by the contractor in the same manner as reimbursable expenses.

Failure to obtain a fifteen-percent (15%) match by June 30 of the 2015-2016 and 2016-2017 fiscal years shall result in a dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall be responsible for compiling information on the private cash and in-kind contributions into a report that is submitted to the Joint Legislative Oversight Committee on Health and Human Services in a format that allows verification by the Department of Revenue. The same match requirements shall apply to any expansion funds appropriated by the General Assembly.

SECTION 12B.7.(e) Bidding. – The North Carolina Partnership for Children, Inc., and all local partnerships shall use competitive bidding practices in contracting for goods and services on contract amounts as follows:

- (1) For amounts of five thousand dollars (\$5,000) or less, the procedures specified by a written policy as developed by the Board of Directors of the North Carolina Partnership for Children, Inc.
- (2) For amounts greater than five thousand dollars (\$5,000), but less than fifteen thousand dollars (\$15,000), three written quotes.
- (3) For amounts of fifteen thousand dollars (\$15,000) or more, but less than forty thousand dollars (\$40,000), a request for proposal process.
- (4) For amounts of forty thousand dollars (\$40,000) or more, a request for proposal process and advertising in a major newspaper.

SECTION 12B.7.(f) Allocations. – The North Carolina Partnership for Children, Inc., shall not reduce the allocation for counties with less than 35,000 in population below the 2012-2013 funding level.

SECTION 12B.7.(g) Performance-Based Evaluation. – The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

SECTION 12B.7.(h) Expenditure Restrictions. – The Department of Health and Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds for Early Childhood Education and Development Initiatives for the 2015-2017 fiscal biennium shall be administered and distributed in the following manner:

- (1) Capital expenditures are prohibited for the 2015-2017 fiscal biennium. For the purposes of this section, "capital expenditures" means expenditures for capital improvements as defined in G.S. 143C-1-1(d)(5).
- (2) Expenditures of State funds for advertising and promotional activities are prohibited for the 2015-2017 fiscal biennium.

For the 2015-2017 fiscal biennium, local partnerships shall not spend any State funds on marketing campaigns, advertising, or any associated materials. Local partnerships may spend any private funds the local partnerships receive on those activities.

STATEWIDE EARLY EDUCATION AND FAMILY SUPPORT PROGRAMS

SECTION 12B.8.(a) The Joint Legislative Oversight Committee on Health and Human Services shall appoint a subcommittee to study early childhood and family support programs, including the Child Care Subsidy program, NC Prekindergarten program (NC Pre-K), and the Smart Start program. In conducting the study, the subcommittee shall consider the following:

- (1) The purpose, outcomes, and effectiveness of each program.
- (2) The flexibility needed to ensure the needs of young children in counties across the State are met.
- (3) The potential for streamlined administration across the programs.
- (4) Any other relevant issues the subcommittee deems appropriate.

SECTION 12B.8.(b) The subcommittee may seek input from other states, stakeholders, and national experts on early child and family support programs as it deems necessary.

SECTION 12B.8.(c) The subcommittee shall develop a proposal for a statewide plan that addresses how to meet county or regional needs of children by county or region. The subcommittee shall submit a report on the proposed statewide plan to the Joint Legislative Oversight Committee on Health and Human Services on or before April 1, 2016, at which time the subcommittee shall terminate.

SUBPART XII-C. DIVISION OF SOCIAL SERVICES

TANF BENEFIT IMPLEMENTATION

SECTION 12C.1.(a) The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 2013-2016," prepared by the Department of Health and Human Services and presented to the General Assembly. The North Carolina Temporary Assistance for Needy Families State Plan covers the period October 1, 2013, through September 30, 2016. The Department shall submit the State Plan, as revised in accordance with subsection (b) of this section, to the United States Department of Health and Human Services.

SECTION 12C.1.(b) The counties approved as Electing Counties in the North Carolina Temporary Assistance for Needy Families State Plan FY 2013-2016, as approved by this section, are Beaufort, Caldwell, Catawba, Lenoir, Lincoln, Macon, and Wilson.

SECTION 12C.1.(c) Counties that submitted the letter of intent to remain as an Electing County or to be redesignated as an Electing County and the accompanying county plan for years 2013 through 2016, pursuant to G.S. 108A-27(e), shall operate under the Electing County budget requirements effective July 1, 2015. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, 2016.

SECTION 12C.1.(d) For each year of the 2015-2017 fiscal biennium, Electing Counties shall be held harmless to their Work First Family Assistance allocations for the 2014-2015 fiscal year, provided that remaining funds allocated for Work First Family Assistance and Work First Diversion Assistance are sufficient for payments made by the Department on behalf of Standard Counties pursuant to G.S. 108A-27.11(b).

SECTION 12C.1.(e) In the event that departmental projections of Work First Family Assistance and Work First Diversion Assistance for the 2015-2016 fiscal year or the 2016-2017 fiscal year indicate that remaining funds are insufficient for Work First Family Assistance and Work First Diversion Assistance payments to be made on behalf of Standard Counties, the Department is authorized to deallocate funds, of those allocated to Electing Counties for Work First Family Assistance in excess of the sums set forth in G.S. 108A-27.11, up to the requisite amount for payments in Standard Counties. Prior to deallocation, the Department shall obtain approval by the Office of State Budget and Management. If the Department adjusts the allocation set forth in subsection (d) of this section, then a report shall be made to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division.

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS

SECTION 12C.2.(a) Notwithstanding the provisions of G.S. 143B-150.6, the Intensive Family Preservation Services (IFPS) Program shall provide intensive services to children and families in cases of abuse, neglect, and dependency where a child is at imminent risk of removal from the home and to children and families in cases of abuse where a child is not at imminent risk of removal. The Program shall be developed and implemented statewide on a regional basis. The IFPS shall ensure the application of standardized assessment criteria for determining imminent risk and clear criteria for determining out-of-home placement.

SECTION 12C.2.(b) The Department of Health and Human Services shall require that any program or entity that receives State, federal, or other funding for the purpose of IFPS shall provide information and data that allows for the following:

- (1) An established follow-up system with a minimum of six months of follow-up services.
- (2) Detailed information on the specific interventions applied, including utilization indicators and performance measurement.

(3) Cost-benefit data.

(4) Data on long-term benefits associated with IFPS. This data shall be obtained by tracking families through the intervention process.

(5) The number of families remaining intact and the associated interventions while in IFPS and 12 months thereafter.

(6) The number and percentage, by race, of children who received IFPS compared to the ratio of their distribution in the general population involved with Child Protective Services.

SECTION 12C.2.(c) The Department shall establish a performance-based funding protocol and shall only provide funding to those programs and entities providing the required information specified in subsection (b) of this section. The amount of funding shall be based on the individual performance of each program.

CHILD CARING INSTITUTIONS

SECTION 12C.3. Until the Social Services Commission adopts rules setting standardized rates for child caring institutions as authorized under G.S. 143B-153(8), the maximum reimbursement for child caring institutions shall not exceed the rate established for the specific child caring institution by the Department of Health and Human Services, Office of the Controller. In determining the maximum reimbursement, the State shall include county and IV-E reimbursements.

USE OF FOSTER CARE BUDGET FOR GUARDIANSHIP ASSISTANCE PROGRAM

SECTION 12C.4. Of the funds available for the provision of foster care services, the Department of Health and Human Services, Division of Social Services, may provide for the financial support of children who are deemed to be (i) in a permanent family placement setting, (ii) eligible for legal guardianship, and (iii) otherwise unlikely to receive permanency. No additional expenses shall be incurred beyond the funds budgeted for foster care for the Guardianship Assistance Program (GAP). The Guardianship Assistance Program rates shall reimburse the legal guardian for room and board and be set at the same rate as the foster care room and board rates in accordance with rates established under G.S. 108A-49.1. The Social Services Board shall adopt rules establishing a Guardianship Assistance Program to implement this section, including defining the phrase "legal guardian" as used in this section.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM (NC REACH)

SECTION 12C.5.(a) Funds appropriated from the General Fund to the Department of Health and Human Services for the child welfare postsecondary support program shall be used to continue providing assistance with the "cost of attendance" as that term is defined in 20 U.S.C. § 108711 for the educational needs of foster youth aging out of the foster care system and special needs children adopted from foster care after age 12. These funds shall be allocated by the State Education Assistance Authority.

SECTION 12C.5.(b) Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of fifty thousand dollars (\$50,000) for the 2015-2016 fiscal year and the sum of fifty thousand dollars (\$50,000) for the 2016-2017 fiscal year shall be allocated to the North Carolina State Education Assistance Authority (SEAA). The SEAA shall use these funds only to perform administrative functions necessary to manage and distribute scholarship funds under the child welfare postsecondary support program.

SECTION 12C.5.(c) Of the funds appropriated from the General Fund to the Department of Health and Human Services, the sum of three hundred thirty-nine thousand four hundred ninety-three dollars (\$339,493) for the 2015-2016 fiscal year and the sum of three hundred thirty-nine thousand four hundred ninety-three dollars (\$339,493) for the 2016-2017 fiscal year shall be used to contract with an entity to administer the child welfare postsecondary

support program described under subsection (a) of this section, which administration shall include the performance of case management services.

SECTION 12C.5.(d) Funds appropriated to the Department of Health and Human Services for the child welfare postsecondary support program shall be used only for students attending public institutions of higher education in this State.

SUCCESSFUL TRANSITION/FOSTER CARE YOUTH

SECTION 12C.6.(a) It is the intent of the General Assembly to fund and support transitional living services that demonstrate positive outcomes for youth, attract significant private sector funding, and will lead to the development of evidence-based programs to serve the at-risk population described in this section.

SECTION 12C.6.(b) To that end, there is created the Foster Care Transitional Living Initiative Fund that will support a demonstration project with services provided by Youth Villages to (i) improve outcomes for youth ages 17-21 years who transition from foster care through implementation of outcome-based Transitional Living Services, (ii) identify cost-savings in social services and juvenile and adult correction services associated with the provision of Transitional Living Services to youth aging out of foster care, and (iii) take necessary steps to establish an evidence-based transitional living program available to all youth aging out of foster care. In implementing these goals, the Foster Care Transitional Living Initiative Fund shall support the following strategies:

- (1) Transitional Living Services, which is an outcome-based program that follows the Youth Villages Transitional Living Model. Outcomes on more than 7,000 participants have been tracked since the program's inception. The program has been evaluated through an independent Randomized Controlled Trial. Results indicate that Youth Villages Transitional Living Model had positive impacts in a variety of areas, including housing stability, earnings, economic hardship, mental health, and intimate partner violence in comparison to the control population.
- (2) Public-Private Partnership, which is a commitment by private-sector funding partners to match one hundred percent (100%) of the funds appropriated to the Foster Care Transitional Living Initiative Fund for the 2015-2017 fiscal biennium for the purposes of providing Transitional Living Services through the Youth Villages Transitional Living Model to youth aging out of foster care.
- (3) Impact Measurement and Evaluation, which are services funded through private partners to provide independent measurement and evaluation of the impact the Youth Villages Transitional Living Model has on the youth served, the foster care system, and on other programs and services provided by the State which are utilized by former foster care youth.
- (4) Advancement of Evidence-Based Process, which is the implementation and ongoing evaluation of the Youth Villages Transitional Living Model for the purposes of establishing the first evidence-based transitional living program in the nation. To establish the evidence-based program, additional randomized controlled trials may be conducted to advance the model.

SECTION 12C.6.(c) G.S. 131D-10.9A reads as rewritten:

"§ 131D-10.9A. Permanency Innovation Initiative Oversight Committee created.

(a) Creation and Membership. – The Permanency Innovation Initiative Oversight Committee is established. The Committee shall be located administratively in the General Assembly. The Committee shall consist of ~~11~~ 12 members serving staggered terms. In making appointments, each appointing authority shall select members who have appropriate experience and knowledge of the issues to be examined by the Committee and shall strive to ensure racial,

gender, and geographical diversity among the membership. The initial Committee members shall be appointed on or after July 1, 2013, as follows:

- (1) Four members shall be appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives. Of the members appointed under this subdivision, at least one shall be a member of the judiciary who shall serve for a term of two years and at least one shall be a representative from the Children's Home Society of North Carolina who shall serve for a term of three years. One member of the House shall be appointed for a one-year term. The remaining appointee shall serve a one-year term.
- (2) Four members shall be appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate. Of the members appointed under this subdivision, at least one shall be a representative from the Department of Health and Human Services, Division of Social Services, who shall serve for a term of two years and at least one shall be a representative from The Duke Endowment who shall serve for a term of three years. One member of the Senate shall be appointed for a one-year term. The remaining appointee shall serve a one-year term.
- (3) ~~Three~~ Four members shall be appointed by the Governor. Of the members appointed under this subdivision, at least one shall be a representative from a county department of social services who shall serve for a term of three ~~years and years~~, at least one shall be a representative from the University of North Carolina at Chapel Hill who shall serve for a term of two ~~years~~ years, and at least one shall be a representative from Youth Villages who shall serve for a term of two years. The remaining member shall serve a one-year term.

...

(c) Purpose and Powers. – The Committee shall:

- (1) Design and implement a data tracking methodology to collect and analyze information to gauge the success of the ~~initiative~~ initiative established under this section as well as an initiative for foster care youth transitioning to adulthood in accordance with Part 3 of this Article.
- (2) Develop a methodology to identify short- and long-term cost-savings in the provision of foster care and foster care transitional living services and any potential reinvestment strategies.
- (3) Oversee program implementation to ensure fidelity to the program models identified under subdivisions (1) and (2) of ~~G.S. 131D-10.9B(a).~~ G.S. 131D-10.9B(a) and under subdivisions (1) through (4) of G.S. 131D-10.9G(a).
- (4) Study, review, and recommend other policies and services that may positively impact ~~permanency and well-being outcomes~~ permanency, well-being outcomes, and youth aging out of the foster care system.

...."

FEDERAL CHILD SUPPORT INCENTIVE PAYMENTS

SECTION 12C.7.(a) Centralized Services. – The North Carolina Child Support Services Section (NCCSS) of the Department of Health and Human Services, Division of Social Services, shall retain up to fifteen percent (15%) of the annual federal incentive payments it receives from the federal government to enhance centralized child support services. To accomplish this requirement, NCCSS shall do the following:

- (1) In consultation with representatives from county child support services programs, identify how federal incentive funding could improve centralized services.
- (2) Use federal incentive funds to improve the effectiveness of the State's centralized child support services by supplementing and not supplanting State expenditures for those services.
- (3) Develop and implement rules that explain the State process for calculating and distributing federal incentive funding to county child support services programs.

SECTION 12C.7.(b) County Child Support Services Programs. – NCCSS shall allocate no less than eighty-five percent (85%) of the annual federal incentive payments it receives from the federal government to county child support services programs to improve effectiveness and efficiency using the federal performance measures. To that end, NCCSS shall do the following:

- (1) In consultation with representatives from county child support services programs, examine the current methodology for distributing federal incentive funding to the county programs and determine whether an alternative formula would be appropriate. NCCSS shall use its current formula for distributing federal incentive funding until an alternative formula is adopted.
- (2) Upon adopting an alternative formula, develop a process to phase-in the alternative formula for distributing federal incentive funding over a four-year period.

SECTION 12C.7.(c) Reporting by County Child Support Services Programs. - NCCSS shall establish guidelines that identify appropriate uses for federal incentive funding. To ensure those guidelines are properly followed, NCCSS shall require county child support services programs to comply with each of the following:

- (1) Submit an annual plan describing how federal incentive funding would improve program effectiveness and efficiency as a condition of receiving federal incentive funding.
- (2) Report annually on: (i) how federal incentive funding has improved program effectiveness and efficiency and been reinvested into their programs, (ii) provide documentation that the funds were spent according to their annual plans, and (iii) explain any deviations from their plans.

SECTION 12C.7.(d) Plan/Report by NCCSS. – The NCCSS shall develop a plan to implement the requirements of this section. Prior to implementing the plan, NCCSS shall submit a progress report on the plan to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by November 1, 2015.

After implementing the plan, NCCSS shall submit a report on federal child support incentive funding to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by November 1 of each year. The report shall describe how federal incentive funds enhanced centralized child support services to benefit county child support services programs and improved the effectiveness and efficiency of county child support services programs. The report shall further include any changes to the State process the NCCSS used in calculating and distributing federal incentive funding to county child support services programs and any recommendations for further changes.

CHILD PROTECTIVE SERVICES IMPROVEMENT INITIATIVE/REVISE STATEWIDE EVALUATION REPORT DATE

SECTION 12C.8. The Department of Health and Human Services, Division of Social Services, shall report on the findings and recommendations from the comprehensive,

1 statewide evaluation of the State's child protective services system required by Section 12C.1(f)
2 of S.L. 2014-100 to the Joint Legislative Oversight Committee on Health and Human Services
3 on or before March 1, 2016.

4 5 **SUBPART XII-D. DIVISION OF AGING AND ADULT SERVICES**

6 7 **STATE-COUNTY SPECIAL ASSISTANCE RATES**

8 **SECTION 12D.1.(a)** For each year of the 2015-2017 fiscal biennium, the
9 maximum monthly rate for residents in adult care home facilities shall be one thousand one
10 hundred eighty-two dollars (\$1,182) per month per resident.

11 **SECTION 12D.1.(b)** For each year of the 2015-2017 fiscal biennium, the
12 maximum monthly rate for residents in Alzheimer's/Dementia special care units shall be one
13 thousand five hundred fifteen dollars (\$1,515) per month per resident.

14 15 **SUBPART XII-E. DIVISION OF PUBLIC HEALTH**

16 17 **FUNDS FOR SCHOOL NURSES**

18 **SECTION 12E.1.(a)** Funds appropriated in this act for the School Nurse Funding
19 Initiative shall be used to supplement and not supplant other State, local, or federal funds
20 appropriated or allocated for this purpose. Communities shall maintain their current level of
21 effort and funding for school nurses. These funds shall not be used to fund nurses for State
22 agencies. These funds shall be distributed to local health departments according to a formula
23 that includes all of the following:

- 24 (1) School nurse-to-student ratio.
- 25 (2) Percentage of students eligible for free or reduced-price meals.
- 26 (3) Percentage of children in poverty.
- 27 (4) Per capita income.
- 28 (5) Eligibility as a low-wealth county.
- 29 (6) Mortality rates for children between one and 19 years of age.
- 30 (7) Percentage of students with chronic illnesses.
- 31 (8) Percentage of county population consisting of minority persons.

32 **SECTION 12E.1.(b)** The Division of Public Health shall ensure that school nurses
33 funded with State funds (i) do not assist in any instructional or administrative duties associated
34 with a school's curriculum and (ii) perform all of the following with respect to school health
35 programs:

- 36 (1) Serve as the coordinator of the health services program and provide nursing
37 care.
 - 38 (2) Provide health education to students, staff, and parents.
 - 39 (3) Identify health and safety concerns in the school environment and promote a
40 nurturing school environment.
 - 41 (4) Support healthy food services programs.
 - 42 (5) Promote healthy physical education, sports policies, and practices.
 - 43 (6) Provide health counseling, assess mental health needs, provide interventions,
44 and refer students to appropriate school staff or community agencies.
 - 45 (7) Promote community involvement in assuring a healthy school and serve as
46 school liaison to a health advisory committee.
 - 47 (8) Provide health education and counseling and promote healthy activities and
48 a healthy environment for school staff.
 - 49 (9) Be available to assist the county health department during a public health
50 emergency.
- 51

AIDS DRUG ASSISTANCE PROGRAM (ADAP)

SECTION 12E.2. The Department of Health and Human Services shall work with the Department of Public Safety (DPS) to use DPS funds to purchase pharmaceuticals for the treatment of individuals in the custody of DPS who have been diagnosed with Human Immunodeficiency Virus or Acquired Immune Deficiency Syndrome (HIV/AIDS) in a manner that allows these funds to be accounted for as State matching funds in the Department of Health and Human Services drawdown of federal Ryan White funds earmarked for the AIDS Drug Assistance Program (ADAP).

COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 12E.3.(a) Funds appropriated in this act to the Department of Health and Human Services, Division of Public Health, for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) shall be used to provide a maximum of 12 grants-in-aid to close the gap in the health status of African-Americans, Hispanics/Latinos, and American Indians as compared to the health status of white persons. These grants-in-aid shall focus on the use of measures to eliminate or reduce health disparities among minority populations in this State with respect to heart disease, stroke, diabetes, obesity, asthma, HIV/AIDS, and cancer. The Office of Minority Health shall coordinate and implement the grants-in-aid program authorized by this section.

SECTION 12E.3.(b) In implementing the grants-in-aid program authorized by subsection (a) of this section, the Department shall ensure all of the following:

- (1) The amount of any grant-in-aid is limited to three hundred thousand dollars (\$300,000).
- (2) Only community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks located in urban and rural areas of the western, eastern, and Piedmont areas of this State are eligible to apply for these grants-in-aid. No more than four grants-in-aid shall be awarded to applicants located in any one of the three areas specified in this subdivision.
- (3) Each eligible applicant shall be required to demonstrate substantial participation and involvement with all other categories of eligible applicants in order to ensure an evidence-based medical home model that will affect change in health and geographic disparities.
- (4) Eligible applicants shall select one or more of the following chronic illnesses or conditions specific to the applicant's geographic area as the basis for applying for a grant-in-aid under this section to affect change in the health status of African-Americans, Hispanics/Latinos, or American Indians:
 - a. Heart Disease.
 - b. Stroke.
 - c. Diabetes.
 - d. Obesity.
 - e. Asthma.
 - f. HIV/AIDS.
 - g. Cancer.
- (5) The minimum duration of the grant period for any grant-in-aid is two years.
- (6) The maximum duration of the grant period for any grant-in-aid is three years.
- (7) If approved for a grant-in-aid, the grantee (i) shall not use more than eight percent (8%) of the grant funds for overhead costs and (ii) shall be required at the end of the grant period to demonstrate significant gains in addressing one or more of the health disparity focus areas identified in subsection (a) of this section.

- (8) An independent panel with expertise in the delivery of services to minority populations, health disparities, chronic illnesses and conditions, and HIV/AIDS shall conduct the review of applications for grants-in-aid. The Department shall establish the independent panel required by this section.

SECTION 12E.3.(c) The grants-in-aid awarded under this section shall be awarded in honor of the memory of the following deceased members of the General Assembly: Bernard Allen, Pete Cunningham, John Hall, Robert Holloman, Howard Hunter, Ed Jones, Jeanne Lucas, Vernon Malone, William Martin, and William Wainwright. These funds shall be used for concerted efforts to address large gaps in health status among North Carolinians who are African-American, as well as disparities among other minority populations in North Carolina.

SECTION 12E.3.(d) By October 1, 2017, the Department shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on funds appropriated to the CFEHDI for the 2015-2017 fiscal biennium. The report shall include specific activities undertaken by grantees pursuant to subsection (a) of this section to address large gaps in health status among North Carolinians who are African-American and other minority populations in this State and shall also address all of the following:

- (1) Which community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks received CFEHDI grants-in-aid.
- (2) The amount of funding awarded to each grantee.
- (3) Which of the minority populations were served by each grantee.
- (4) Which community-based organizations, faith-based organizations, local health departments, hospitals, and CCNC networks were involved in fulfilling the goals and activities of each grant-in-aid awarded under this section and what activities were planned and implemented by the grantee to fulfill the community focus of the CFEHDI program.
- (5) How the activities implemented by the grantee fulfilled the goal of reducing health disparities among minority populations and the specific success in reducing particular incidences.

MANDATORY MEDICAL EXAMINER TRAINING AND REVOCATION OF APPOINTMENT FOR CAUSE

SECTION 12E.4.(a) G.S. 130A-382 reads as rewritten:

"§ 130A-382. County medical examiners; appointment; term of office; ~~vacancies~~; vacancies; training requirements; revocation for cause.

(a) The Chief Medical Examiner shall appoint one or more county medical examiners for each county for a three-year term. In appointing medical examiners for each county, the Chief Medical Examiner shall give preference to physicians licensed to practice medicine in this State but may also appoint licensed physician assistants, nurse practitioners, nurses, coroners, or emergency medical technician paramedics. A medical examiner may serve more than one county. The Chief Medical Examiner may take jurisdiction in any case or appoint another medical examiner to do so.

(b) County medical examiners shall complete annual continuing education training as directed by the Office of the Chief Medical Examiner and based upon established and published guidelines for conducting death investigations. The continuing education training shall include training regarding sudden unexplained death in epilepsy. The Office of the Chief Medical Examiner shall annually update and publish these guidelines on its Internet Web site. Newly appointed county medical examiners shall complete mandatory orientation training as directed by the Office of the Chief Medical Examiner within 90 days of their appointment.

(c) The Chief Medical Examiner may revoke a county medical examiner's appointment for failure to adequately perform the duties of the office after providing the county medical examiner with written notice of the basis for the revocation and an opportunity to respond."

SECTION 12E.4.(b) This section becomes effective January 1, 2016.

INCREASE IN NORTH CAROLINA MEDICAL EXAMINER AUTOPSY FEE

SECTION 12E.5.(a) G.S. 130A-389(a) reads as rewritten:

"(a) If, in the opinion of the medical examiner investigating the case or of the Chief Medical Examiner, it is advisable and in the public interest that an autopsy or other study be made; or, if an autopsy or other study is requested by the district attorney of the county or by any superior court judge, an autopsy or other study shall be made by the Chief Medical Examiner or by a competent pathologist designated by the Chief Medical Examiner. A complete autopsy report of findings and interpretations, prepared on forms designated for the purpose, shall be submitted promptly to the Chief Medical Examiner. Subject to the limitations of G.S. 130A-389.1 relating to photographs and video or audio recordings of an autopsy, a copy of the report shall be furnished to any person upon request. A fee for the autopsy or other study shall be paid by the State. However, if the deceased is a resident of the county in which the death or fatal injury occurred, that county shall pay the fee. The fee shall be ~~one thousand two hundred fifty dollars (\$1,250)~~ one thousand seven hundred fifty dollars (\$1,750)."

SECTION 12E.5.(b) The Department of Health and Human Services, Division of Public Health, shall study and evaluate (i) the method of autopsy financing and the cost-sharing of this service between the State and counties and (ii) the amount of State appropriations that would be necessary to eliminate the shortfall between the amount of the autopsy fee imposed pursuant to G.S. 130A-389(a) and the actual cost of performing an autopsy. The Department shall report its findings and any recommended changes in State appropriations for, and cost-sharing of, this service to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division for consideration during the 2016 Regular Session of the 2015 General Assembly.

SECTION 12E.5.(c) Subsection (a) of this section becomes effective July 1, 2015, and applies to fees imposed for autopsies on or after that date.

INCREASE IN MEDICAL EXAMINER FEES

SECTION 12E.6.(a) G.S. 130A-387 reads as rewritten:

"§ 130A-387. Fees.

For each investigation and prompt filing of the required report, the medical examiner shall receive a fee paid by the State. However, if the deceased is a resident of the county in which the death or fatal injury occurred, that county shall pay the fee. The fee shall be ~~one hundred dollars (\$100.00)~~ two hundred dollars (\$200.00)."

SECTION 12E.6.(b) Subsection (a) of this section becomes effective July 1, 2015, and applies to fees imposed for investigations and reports filed on or after that date.

SUBPART XII-F. DIVISION OF MH/DD/SAS AND STATE OPERATED HEALTHCARE FACILITIES

FUNDS FOR LOCAL INPATIENT PSYCHIATRIC BEDS OR BED DAYS

SECTION 12F.1.(a) Use of Funds. – Of the funds appropriated in Section 2.1 of this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for crisis services, the sum of forty-three million forty-nine thousand one hundred forty-four dollars (\$43,049,144) for the 2015-2016 fiscal year and the sum of forty-three million forty-nine thousand one hundred forty-four dollars (\$43,049,144) for the 2016-2017 fiscal year shall be used to purchase

1 additional local inpatient psychiatric beds or bed days not currently funded by or through
2 LME/MCOs. The Department shall continue to implement a two-tiered system of payment for
3 purchasing these local inpatient psychiatric beds or bed days based on acuity level, with an
4 enhanced rate of payment for inpatient psychiatric beds or bed days for individuals with higher
5 acuity levels, as defined by the Department. The enhanced rate of payment for inpatient
6 psychiatric beds or bed days for individuals with higher acuity levels shall not exceed the
7 lowest average cost per patient bed day among the State psychiatric hospitals. In addition, at
8 the discretion of the Secretary of Health and Human Services, existing funds allocated to
9 LME/MCOs for community-based mental health, developmental disabilities, and substance
10 abuse services may be used to purchase additional local inpatient psychiatric beds or bed days.
11 Funds designated in this subsection for the purchase of local inpatient psychiatric beds or bed
12 days shall not be used to supplant other funds appropriated or otherwise available to the
13 Department for the purchase of inpatient psychiatric services through contracts with local
14 hospitals.

15 **SECTION 12F.1.(b) Distribution and Management of Beds or Bed Days.** – The
16 Department shall work to ensure that any local inpatient psychiatric beds or bed days purchased
17 in accordance with this section are distributed across the State in LME/MCO catchment areas
18 and according to need as determined by the Department. The Department shall ensure that beds
19 or bed days for individuals with higher acuity levels are distributed across the State in LME
20 catchment areas, including any catchment areas served by managed care organizations, and
21 according to greatest need based on hospital bed utilization data. The Department shall enter
22 into contracts with LME/MCOs and local hospitals for the management of these beds or bed
23 days. The Department shall work to ensure that these contracts are awarded equitably around
24 all regions of the State. LME/MCOs shall manage and control these local inpatient psychiatric
25 beds or bed days, including the determination of the specific local hospital or State psychiatric
26 hospital to which an individual should be admitted pursuant to an involuntary commitment
27 order.

28 **SECTION 12F.1.(c) Funds to Be Held in Statewide Reserve.** – Funds appropriated
29 to the Department for the purchase of local inpatient psychiatric beds or bed days shall not be
30 allocated to LME/MCOs but shall be held in a statewide reserve at the Division of Mental
31 Health, Developmental Disabilities, and Substance Abuse Services to pay for services
32 authorized by the LME/MCOs and billed by the hospitals through the LME/MCOs.
33 LME/MCOs shall remit claims for payment to the Department within 15 working days after
34 receipt of a clean claim from the hospital and shall pay the hospital within 30 working days
35 after receipt of payment from the Department.

36 **SECTION 12F.1.(d) Ineffective LME/MCO Management of Beds or Bed Days.** –
37 If the Department determines that (i) an LME/MCO is not effectively managing the beds or bed
38 days for which it has responsibility, as evidenced by beds or bed days in the local hospital not
39 being utilized while demand for services at the State psychiatric hospitals has not reduced, or
40 (ii) the LME/MCO has failed to comply with the prompt payment provisions of subsection (c)
41 of this section, the Department may contract with another LME/MCO to manage the beds or
42 bed days or, notwithstanding any other provision of law to the contrary, may pay the hospital
43 directly.

44 **SECTION 12F.1.(e) Reporting by LME/MCOs.** – The Department shall establish
45 reporting requirements for LME/MCOs regarding the utilization of these beds or bed days.

46 **SECTION 12F.1.(f) Reporting by Department.** – By no later than December 1,
47 2016, and by no later than December 1, 2017, the Department shall report to the Joint
48 Legislative Oversight Committee on Health and Human Services and the Fiscal Research
49 Division on all of the following:

- 50 (1) A uniform system for beds or bed days purchased during the preceding fiscal
51 year from (i) funds appropriated in this act that are designated for this

- 1 purpose in subsection (a) of this section, (ii) existing State appropriations,
2 and (iii) local funds.
3 (2) Other Department initiatives funded by State appropriations to reduce State
4 psychiatric hospital use.
5

6 SINGLE STREAM FUNDING FOR MH/DD/SAS COMMUNITY SERVICES

7 **SECTION 12F.2.** For the purpose of mitigating cash flow problems that many
8 LME/MCOs experience at the beginning of each fiscal year relative to single stream funding,
9 the Department of Health and Human Services, Division of Mental Health, Developmental
10 Disabilities, and Substance Abuse Services, shall distribute not less than one-twelfth of each
11 LME/MCO's continuation allocation at the beginning of the fiscal year and subtract the amount
12 of that distribution from the LME/MCO's total reimbursements for the fiscal year.
13

14 FUNDS FOR THE NORTH CAROLINA CHILD TREATMENT PROGRAM

15 **SECTION 12F.3.(a)** Recurring funds appropriated in this act to the Department of
16 Health and Human Services, Division of Mental Health, Developmental Disabilities, and
17 Substance Abuse Services, for the 2015-2017 fiscal biennium for the North Carolina Child
18 Treatment Program (NC CTP) shall be used for the following purposes:

- 19 (1) To continue to provide clinical training and coaching to licensed Medicaid
20 clinicians on an array of evidence-based treatments and to provide a
21 statewide platform to assure accountability and outcomes.
22 (2) To maintain and manage a public roster of program graduates, linking
23 high-quality clinicians with children, families, and professionals.
24 (3) To partner with State, LME/MCO, and private sector leadership to bring
25 effective mental health treatment to children in juvenile justice and mental
26 health facilities.

27 **SECTION 12F.3.(b)** All data, including any entered or stored in the State-funded
28 secure database developed for the NC CTP to track individual-level and aggregate-level data
29 with interface capability to work with existing networks within State agencies, is and remains
30 the sole property of the State.
31

32 FUNDS TO INCREASE CAPACITY FOR BEHAVIORAL HEALTH CRISIS 33 SERVICES

34 **SECTION 12F.4.(a)** The following definitions apply in this section:

- 35 (1) Behavioral health urgent care center. – An outpatient facility that provides
36 walk-in crisis assessment, referral, and treatment by licensed behavioral
37 health professionals with prescriptive authority to individuals with an urgent
38 or emergent need for mental health, intellectual or developmental
39 disabilities, or substance abuse services.
40 (2) Facility-based crisis center. – A 24-hour residential facility licensed under
41 10A NCAC 27G .5000 to provide facility-based crisis services as described
42 in 10A NCAC 27G .5001.
43 (3) Secretary. – The Secretary of the North Carolina Department of Health and
44 Human Services.

45 **SECTION 12F.4.(b)** Of the funds appropriated in this act to the Department of
46 Health and Human Services, Division of Mental Health, Developmental Disabilities, and
47 Substance Abuse Services, for community services for the 2015-2016 fiscal year, the Division
48 shall use two million dollars (\$2,000,000) in nonrecurring funds to accomplish the following:

- 49 (1) To increase the number of co-located or operationally linked behavioral
50 health urgent care centers and facility-based crisis centers.

- (2) To increase the number of facility-based crisis centers designated by the Secretary as facilities for the custody and treatment of involuntary clients pursuant to G.S. 122C-252 and 10A NCAC 26C .0101. The Department shall give priority to areas of the State experiencing a shortage of these types of facilities.
- (3) To provide reimbursement for services provided by facility-based crisis centers.
- (4) To establish facility-based crisis centers for children and adolescents.

BEHAVIORAL HEALTH CLINICAL INTEGRATION AND PERFORMANCE MONITORING

SECTION 12F.5.(a) The Department of Health and Human Services shall require local management entities, including local management entities that have been approved to operate the 1915(b)/(c) Medicaid Waiver (LME/MCOs), to implement clinical integration activities with Community Care of North Carolina (CCNC) through Total Care, a collaborative initiative designed to improve and minimize the cost of care for patients who suffer from comorbid mental health or substance abuse and primary care or other chronic conditions.

SECTION 12F.5.(b) The Department shall ensure that all LME/MCOs continue to submit claims data, including to the extent practical, retrospective claims data and integrated payment and reporting system (IPRS) data, to the CCNC Informatics Center and to the Medicaid Management Information System. Upon receipt of this claims data, CCNC shall provide access to clinical data and care management information within the CCNC Informatics Center to LME/MCOs and authorized behavioral health providers to support (i) treatment, quality assessment, and improvement activities or (ii) coordination of appropriate and effective patient care, treatment, or habilitation.

SECTION 12F.5.(c) The Department, in consultation with CCNC and the LME/MCOs, shall develop quality and performance statistics on the status of mental health, developmental disabilities, and substance abuse services, including, but not limited to, variations in total cost of care, clinical outcomes, and access to and utilization of services.

SECTION 12F.5.(d) The Department shall, within available appropriations and as deemed necessary by the Department, expand or alter existing contracts by mutual agreement of all parties to the contract in order to implement the provisions of this section.

SECTION 12F.5.(e) By no later than March 1, 2016, and semiannually thereafter, the Department shall submit a report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division on the progress, outcomes, and savings associated with the implementation of clinical integration activities with CCNC pursuant to this section.

TRAUMATIC BRAIN INJURY FUNDING

SECTION 12F.6. Of the funds appropriated in this act to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2015-2016 fiscal year, the sum of two million three hundred seventy-three thousand eighty-six dollars (\$2,373,086) shall be used exclusively to support traumatic brain injury (TBI) services as follows:

- (1) The sum of three hundred fifty-nine thousand two hundred eighteen dollars (\$359,218) shall be used to fund contracts with the Brain Injury Association of North Carolina, Carolinas Rehabilitation, or other appropriate service providers.
- (2) The sum of seven hundred ninety-six thousand nine hundred thirty-four dollars (\$796,934) shall be used to support residential programs across the State that are specifically designed to serve individuals with TBI.

- (3) The sum of one million two hundred sixteen thousand nine hundred thirty-four dollars (\$1,216,934) shall be used to support requests submitted by individual consumers for assistance with residential support services, home modifications, transportation, and other requests deemed necessary by the consumer's local management entity and primary care physician.

ESTABLISHMENT OF BEHAVIORAL HEALTH PARTNERSHIP PILOT PROGRAM

SECTION 12F.7.(a) It is the intent of the General Assembly to increase inpatient bed capacity for short-term care of individuals experiencing an acute mental health, substance abuse, or developmental disability crisis. Toward that end and subject to the availability of funds deposited into the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs and appropriated pursuant to subsection (e) of this section, the Department of Health and Human Services (Department) shall conduct a three-year pilot program to assist rural hospitals in the conversion of existing, unused acute care beds into licensed, short-term inpatient behavioral health beds. The Secretary shall select rural hospitals located in three different regions of the State that are currently participating in the statewide telepsychiatry program established under G.S. 143B-139.4B to participate in the pilot program. The maximum number of beds that may be converted into short-term inpatient behavioral health beds in each region is 50. At least one of the regions selected to participate in the pilot program shall be located in a rural area surrounding Wake County. Notwithstanding the State Medical Facilities Plan, Article 9 of Chapter 131E of the General Statutes, or any other provision of law to the contrary, each selected rural hospital shall be allowed to convert unused acute care beds into licensed, inpatient psychiatric or substance abuse beds without undergoing certificate of need review by the Division of Health Service Regulation. All converted beds shall be subject to existing licensure laws and requirements. As a condition of participating in the pilot program, each selected rural hospital shall reserve at least fifty percent (50%) of the beds converted under the pilot program for (i) purchase by the Department under the State-administered three-way contract and (ii) referrals by local management entities/managed care organizations (LME/MCOs) of individuals who are indigent or Medicaid recipients.

SECTION 12F.7.(b) At least once every six months, the Department shall conduct monitoring visits of the rural hospitals participating in the pilot program and shall also be responsible for investigating all complaints related to the pilot program. Each rural hospital participating in the pilot program shall provide a monthly report to the Department on the number of individuals receiving short-term, inpatient psychiatric, substance abuse, or developmental disability services under the pilot program and the average length of stay of individuals receiving these behavioral health services under the pilot program. The Department shall have the authority to suspend or terminate the pilot program at any time due to noncompliance with applicable regulatory requirements that has resulted in serious harm to individuals receiving behavioral health services under the pilot program or when there is a substantial risk that serious harm will occur to individuals receiving behavioral health services under the pilot program.

SECTION 12F.7.(c) The Department of Health and Human Services shall report on the status of the pilot program at least once each year to the Program Evaluation Division and the Fiscal Research Division. The report shall include at a minimum all of the following:

- (1) The number of beds converted into licensed, inpatient psychiatric beds in each region, broken down by hospital.
- (2) The number of beds or bed days purchased at each participating hospital by the Department under the State-administered three-way contract.
- (3) The number of referrals to participating hospitals by the LME/MCOs.

(4) The number and age of the individuals receiving short-term, inpatient psychiatric, substance abuse, or developmental disability services under the pilot program.

(5) Objective, measurable outcomes of the individuals served through this pilot program.

SECTION 12F.7.(d) The Joint Legislative Program Evaluation Oversight Committee shall consider including in the 2017-2018 Work Plan for the Program Evaluation Division of the General Assembly a comprehensive evaluation of the pilot program authorized in subsection (a) of this section. The Program Evaluation Division shall submit its findings and recommendations to the Joint Legislative Program Evaluation Oversight Committee, the Joint Legislative Oversight Committee on Health and Human Services, and the Fiscal Research Division no later than November 1, 2018.

SECTION 12F.7.(e) Notwithstanding G.S. 146-30 or any other provision of law to the contrary, the net proceeds of any sale of the State-owned property encompassing the Dorothea Dix Hospital campus shall be deposited into the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs (Trust Fund). Notwithstanding G.S. 143C-9-2 or any other provision of law to the contrary, the sum of up to twenty-five million dollars (\$25,000,000) is hereby appropriated from the Trust Fund to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substances Abuse Services, for the 2015-2016 fiscal year to pay for any renovation or building costs associated with converting existing acute care beds into licensed, short-term inpatient behavioral health beds designated for voluntarily and involuntarily committed patients in the rural hospitals selected to participate in the pilot program authorized under subsection (a) of this section. The Department shall not use these funds for any purpose other than as outlined in this section and shall not use these funds to supplement or supplant other State, local, or federal funds appropriated or allocated to the Department.

SECTION 12F.7.(f) The pilot program authorized under subsection (a) of this section expires three years from the date on which it commences.

SECTION 12F.7.(g) The balance of the proceeds of the sale of Dorothea Dix Hospital remaining after the appropriation under subsection (e) of this section shall remain in the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs (Trust Fund) until appropriated by the General Assembly. The Department shall report its recommendations for using the remaining Dix proceeds to increase the availability of community-based behavioral health treatment and services statewide to the chairs of the House of Representatives Appropriations Committee on Health and Human Services and Senate Appropriations Committee on Health and Human Services, the Joint Legislative Oversight Committee on Health and Human Services, and Fiscal Research by February 1, 2016.

COMMUNITY PARAMEDIC MOBILE CRISIS MANAGEMENT PILOT PROGRAM

SECTION 12F.8.(a) Of the funds appropriated to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, the sum of two hundred twenty-five thousand dollars (\$225,000) for fiscal year 2015-2016 shall be used to continue the Department's community paramedic mobile crisis management program to divert behavioral health consumers from emergency departments by implementing a pilot of the thirteen programs across the State.

SECTION 12F.8.(b) The Department shall develop an evaluation plan for the community paramedic mobile crisis management pilot program based on the U.S. Department of Health and Human Services, Health Resources and Services Administration Office of Rural Health Policy's, Community Paramedicine Evaluation Tool, published in March 2012.

SECTION 12F.8.(c) The Department shall submit a report to the Senate Appropriations Committee on Health and Human Services, House Appropriations, Health and Human Services, and the Fiscal Research Division by June 1, 2016, on the progress of the project and the Department's evaluation plan.

SECTION 12F.8.(d) The Department of Health and Human Services shall submit a final report to the Joint Legislative Oversight Committee on Health and Human Services and the Fiscal Research Division by November 1, 2016. At a minimum, the final report shall include the following:

- (1) An updated version of the evaluation plan required by subsection (b) of this section.
- (2) An estimate of the cost to expand the program incrementally.
- (3) An estimate of any potential savings of State funds associated with expansion of the program.
- (4) If expansion of the program is recommended, a time line for expanding the program.

SUBPART XII-G. DIVISION OF HEALTH SERVICE REGULATION

MORATORIUM ON HOME CARE AGENCY LICENSES FOR IN-HOME AIDE SERVICES

SECTION 12G.1.(a) Section 12G.4(a) of S.L. 2014-100 reads as rewritten:

"SECTION 12G.4.(a) For the period commencing on the effective date of this section, and ending ~~June 30, 2016~~, June 30, 2017, and notwithstanding the provisions of the Home Care Agency Licensure Act set forth in Part 3 of Article 6 of Chapter 131E of the General Statutes or any rules adopted pursuant to that Part, the Department of Health and Human Services shall not issue any licenses for home care agencies as defined in G.S. 131E-136(2) that intend to offer in-home aide services. This prohibition does not apply to companion and sitter services and shall not restrict the Department from doing any of the following:

- (1) Issuing a license to a certified home health agency as defined in G.S. 131E-176(12) that intends to offer in-home aide services.
- (2) Issuing a license to an agency that needs a new license for an existing home care agency being acquired.
- (3) Issuing a license for a new home care agency in any area of the State upon a determination by the Secretary of the Department of Health and Human Services that increased access to care is necessary in that area."

SECTION 12G.1.(b) This section is effective when this act becomes law.

MORATORIUM ON SPECIAL CARE UNIT LICENSES

SECTION 12G.2.(a) Section 12G.1(a) of S.L. 2013-360, as amended by Section 12G.5 of S.L. 2014-100, reads as rewritten:

"SECTION 12G.1.(a) For the period beginning July 31, 2013, and ending ~~June 30, 2016~~, June 30, 2017, the Department of Health and Human Services, Division of Health Service Regulation (Department), shall not issue any licenses for special care units as defined in G.S. 131D-4.6 and G.S. 131E-114. This prohibition shall not restrict the Department from doing any of the following:

- (1) Issuing a license to a facility that is acquiring an existing special care unit.
- (2) Issuing a license for a special care unit in any area of the State upon a determination by the Secretary of the Department of Health and Human Services that increased access to this type of care is necessary in that area during the moratorium imposed by this section.

- (3) Processing all completed applications for special care unit licenses received by the Division of Health Service Regulation along with the applicable license fee prior to June 1, 2013.
- (4) Issuing a license to a facility that was in possession of a certificate of need as of July 31, 2013, that included authorization to operate special care unit beds."

SECTION 12G.2.(b) This section is effective when this act becomes law.

LICENSURE OF OVERNIGHT RESPITE FACILITIES

SECTION 12G.3.(a) Article 1 of Chapter 131D of the General Statutes is amended by adding a new section to read:

"§ 131D-6.1. Licensure to offer overnight respite; rules; enforcement.

(a) As used in this section, "overnight respite services" means the provision of group care and supervision in a place other than their usual place of abode on a 24-hour basis to adults who may be physically or mentally disabled and includes services provided by the following:

(1) Any facility certified to provide adult day care services pursuant to G.S. 131D-6, or adult day health services pursuant to 10A NCAC 06S, or both.

(2) Any adult care home or family care home licensed under this Article.

(b) Any facility described under subsection (a) of this section may apply to the Department for licensure to offer a program of overnight respite services. The Department shall annually license facilities providing overnight respite services under rules adopted by the Department pursuant to subsection (c) of this section. As part of the licensure process, the Division of Health Service Regulation shall inspect the construction projects associated with, and the operations of, each facility providing overnight respite services for compliance with the rules adopted by the Department pursuant to subsection (c) of this section.

(c) The Department shall adopt rules governing the licensure of facilities providing overnight respite in accordance with this section. The Department shall seek input from stakeholders before proposing rules for adoption as required by this subsection. The rules shall limit the provision of 24-hour care for each adult to (i) not more than 14 consecutive calendar days, and not more than 60 total calendar days, during a 365-day period or (ii) the amount of respite allowed under the North Carolina Innovations waiver or Community Alternatives Program for Disabled Adults (CAP/DA) waiver, as applicable. The rules shall include minimum requirements to ensure the health and safety of adult day care overnight respite participants. These requirements shall address all of the following:

(1) Program management.

(2) Staffing.

(3) Building specifications.

(4) Fire safety.

(5) Sanitation.

(6) Nutrition.

(7) Enrollment.

(8) Bed capacity limitations, which shall not exceed six beds in each adult day care program.

(9) Medication management.

(10) Program activities.

(d) The Division of Health Service Regulation shall have the authority to enforce the rules adopted by the Department under subsection (c) of this section and shall be responsible for the investigation of complaints pertaining to facilities licensed to provide overnight respite services.

(e) Each facility that is licensed to provide a program of overnight respite services under this section shall periodically report the number of individuals served and the average daily census to the Division of Health Service Regulation on a schedule determined by the Division.

(f) The Division of Health Service Regulation shall have the authority to suspend or revoke a facility's license to provide a program of overnight respite services at any time due to noncompliance with regulatory requirements that has resulted in death or serious physical harm, or when there is a substantial risk that death or serious physical harm will occur.

(g) Nothing in this section shall be construed to prevent a facility licensed to provide overnight respite services under this section from receiving State funds or participating in any government insurance plan, including the Medicaid program, to the extent authorized or permitted under applicable State or federal law.

(h) The Department shall charge each facility seeking to provide overnight respite services a nonrefundable initial licensure fee of three hundred fifty dollars (\$350.00) and a nonrefundable renewal licensure fee in the amount of three hundred fifteen dollars (\$315.00)."

SECTION 12G.3.(b) G.S. 131E-267(g) reads as rewritten:

"(g) The fee imposed for the review of the following residential construction projects is:

Residential Project	Project Fee
Family Care Homes	\$225.00 flat fee
ICF/MR Group Homes	\$350.00 flat fee
Group Homes: 1-3 beds	\$125.00 flat fee
Group Homes: 4-6 beds	\$225.00 flat fee
Group Homes: 7-9 beds	\$275.00 flat fee
<u>Adult Day Care Overnight Respite Facility</u>	<u>\$225.00 flat fee</u>
<u>Adult Day Health Overnight Respite Facility</u>	<u>\$225.00 flat fee</u>
Other residential:	
More than 9 beds	\$275.00 plus \$0.15 per square foot of project space."

SECTION 12G.3.(c) Of the funds appropriated to the Department of Health and Human Services, Division of Health Service Regulation, the sum of eighty-two thousand six hundred six dollars (\$82,606) for the 2015-2016 fiscal year and the sum of eighty-eight thousand thirty-three dollars (\$88,033) for the 2016-2017 fiscal year shall be used to create one full-time equivalent Nursing Consultant position and one full-time equivalent Engineer/Architect position within the Division dedicated to inspecting adult day care, adult day health, adult care home, and family care home facilities seeking licensure to provide overnight respite services in accordance with G.S. 131D-6.1, as enacted by subsection (a) of this section.

SECTION 12G.3.(d) The Department of Health and Human Services, Division of Aging and Adult Services, shall add adult day care overnight respite programs as a service category under the Home and Community Care Block Grant. Counties may elect to use an adult day care, adult day health, adult care home, or family care home facility licensed under G.S. 131D-6.1, as enacted by subsection (a) of this section, to provide overnight respite services to caregivers of older adults from funds received under the Home and Community Care Block Grant.

SECTION 12G.3.(e) The Department of Health and Human Services, Division of Medical Assistance, shall take any and all action necessary to amend the North Carolina Innovations waiver and the North Carolina Community Alternatives Program for Disabled Adults (CAP/DA) waiver for the purpose of allowing facilities licensed to provide adult day health overnight respite services under G.S. 131D-6.1, as enacted by subsection (a) of this section, to become allowable providers of overnight respite under each waiver.

SUBPART XII-H. DIVISION OF MEDICAL ASSISTANCE (MEDICAID)

REINSTATE MEDICAID ANNUAL REPORT

SECTION 12H.1. The Department of Health and Human Services, Division of Medical Assistance, shall reinstate the publication of the Medicaid Annual Report and accompanying tables, which was discontinued after 2008. The Division shall publish the report and tables on its Web site and shall not publish copies in print.

MEDICAID ELIGIBILITY

SECTION 12H.2.(a) Families and children who are categorically and medically needy are eligible for Medicaid, subject to the following annual income levels:

	Categorically Needy	Medically Needy
Family Size	Income Level	Income Level
1	\$ 5,208	\$ 2,904
2	6,828	3,804
3	8,004	4,404
4	8,928	4,800
5	9,888	5,196
6	10,812	5,604
7	11,700	6,000
8	12,432	6,300

The Department of Health and Human Services shall provide Medicaid coverage to 19- and 20-year-olds under this subsection in accordance with federal rules and regulations. Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

SECTION 12H.2.(b) For the following Medicaid eligibility classifications for which the federal poverty guidelines are used as income limits for eligibility determinations, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines. The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to the following:

- (1) All elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines.
- (2) Pregnant women with incomes equal to or less than one hundred ninety-six percent (196%) of the federal poverty guidelines and without regard to resources. Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy.
- (3) Infants under the age of one with family incomes equal to or less than two hundred ten percent (210%) of the federal poverty guidelines and without regard to resources.
- (4) Children aged one through five with family incomes equal to or less than two hundred ten percent (210%) of the federal poverty guidelines and without regard to resources.
- (5) Children aged six through 18 with family incomes equal to or less than one hundred thirty-three percent (133%) of the federal poverty guidelines and without regard to resources.
- (6) Workers with disabilities described in G.S. 108A-66A with unearned income equal to or less than one hundred fifty percent (150%) of the federal poverty guidelines.

The Department of Health and Human Services, Division of Medical Assistance, shall also provide family planning services to men and women of childbearing age with family incomes equal to or less than one hundred ninety-five percent (195%) of the federal poverty guidelines and without regard to resources.

SECTION 12H.2.(c) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to adoptive children with special or rehabilitative needs, regardless of the adoptive family's income.

SECTION 12H.2.(d) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to "independent foster care adolescents," ages 18, 19, and 20, as defined in section 1905(w)(1) of the Social Security Act (42 U.S.C. § 1396d(w)(1)), without regard to the adolescent's assets, resources, or income levels.

SECTION 12H.2.(e) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to women who need treatment for breast or cervical cancer and who are defined in 42 U.S.C. § 1396a(a)(10)(A)(ii)(XVIII).

SECTION 12H.2.(f) G.S. 108A-70.21 reads as rewritten:

"§ 108A-70.21. Program eligibility; benefits; enrollment fee and other cost-sharing; coverage from private plans; purchase of extended coverage.

(a) Eligibility. – The Department may enroll eligible children based on availability of funds. Following are eligibility and other requirements for participation in the Program:

(1) Children must:

- a. Be between the ages of 6 through 18;
- b. Be ineligible for Medicaid, Medicare, or other federal government-sponsored health insurance;
- c. Be uninsured;
- d. Be in a family whose family income is above one hundred thirty-three percent (133%) ~~through and less than or equal to two hundred eleven percent (200%) (211%)~~ of the federal poverty level;
- e. Be a resident of this State and eligible under federal law; and
- f. Have paid the Program enrollment fee required under this Part.

...

(b) Benefits. – All health benefits changes of the Program shall meet the coverage requirements set forth in this subsection. Except as otherwise provided for eligibility, fees, deductibles, copayments, and other cost sharing charges, health benefits coverage provided to children eligible under the Program shall be equivalent to coverage provided for dependents under North Carolina Medicaid Program except for the following:

- (1) No services for long-term care.
- (2) No nonemergency medical transportation.
- (3) No EPSDT.
- (4) Dental services shall be provided on a restricted basis in accordance with criteria adopted by the Department to implement this subsection.

In addition to the benefits provided under the North Carolina Medicaid Program, the following services and supplies are covered under the Health Insurance Program for Children established under this Part:

- (1), (1a) Repealed by Session Laws 2011-145, s. 10.41(b), effective July 1, 2011.
- (2) Vision: Scheduled routine eye examinations once every 12 months, eyeglass lenses or contact lenses once every 12 months, routine replacement of eyeglass frames once every 24 months, and optical supplies and solutions when needed. NCHC recipients must obtain optical services, supplies, and solutions from NCHC enrolled, licensed or certified ophthalmologists, optometrists, or opticians. In accordance with G.S. 148-134, NCHC providers must order complete eyeglasses, eyeglass lenses, and ophthalmic

frames through Nash Optical Plant. Eyeglass lenses are limited to NCHC-approved single vision, bifocal, trifocal, or other complex lenses necessary for a Plan enrollee's visual welfare. Coverage for oversized lenses and frames, designer frames, photosensitive lenses, tinted contact lenses, blended lenses, progressive multifocal lenses, coated lenses, and laminated lenses is limited to the coverage for single vision, bifocal, trifocal, or other complex lenses provided by this subsection. Eyeglass frames are limited to NCHC-approved frames made of zylonite, metal, or a combination of zylonite and metal. All visual aids covered by this subsection require prior approval. Requests for medically necessary complete eyeglasses, eyeglass lenses, and ophthalmic frames outside of the NCHC-approved selection require prior approval. Requests for medically necessary fabrication of complete eyeglasses or eyeglass lenses outside of Nash Optical Plant require prior approval. Upon prior approval refractions may be covered more often than once every 12 months.

- (3) Under the North Carolina Health Choice Program for Children, the co-payment for nonemergency visits to the emergency room for children whose family income is ~~at or below~~ less than or equal to one hundred fifty-five percent (155%) of the federal poverty level is ten dollars (\$10.00). The co-payment for children whose family income is ~~between above one hundred fifty-one~~ fifty-five percent (155%) and ~~less than or equal to two hundred eleven percent (200%)~~ less than or equal to two hundred eleven percent (211%) of the federal poverty level is twenty-five dollars (\$25.00).

...

(c) Annual Enrollment Fee. – There shall be no enrollment fee for Program coverage for enrollees whose family income is ~~at or below~~ less than or equal to one hundred fifty-five percent (155%) of the federal poverty level. The enrollment fee for Program coverage for enrollees whose family income is above one hundred ~~fifty-five~~ fifty-five percent (155%) ~~through and less than or equal to two hundred eleven percent (200%)~~ less than or equal to two hundred eleven percent (211%) of the federal poverty level shall be fifty dollars (\$50.00) per year per child with a maximum annual enrollment fee of one hundred dollars (\$100.00) for two or more children. The enrollment fee shall be collected by the county department of social services and retained to cover the cost of determining eligibility for services under the Program. County departments of social services shall establish procedures for the collection of enrollment fees.

(d) Cost-Sharing. – There shall be no deductibles, copayments, or other cost-sharing charges for families covered under the Program whose family income is ~~at or below~~ less than or equal to one hundred fifty-five percent (155%) of the federal poverty level, except that fees for outpatient prescription drugs are applicable and shall be one dollar (\$1.00) for each outpatient generic prescription drug, for each outpatient brand-name prescription drug for which there is no generic substitution available, and for each covered over-the-counter medication. The fee for each outpatient brand-name prescription drug for which there is a generic substitution available is three dollars (\$3.00). Families covered under the Program whose family income is above one hundred ~~fifty-five~~ fifty-five percent (155%) of the federal poverty level shall be responsible for copayments to providers as follows:

- (1) Five dollars (\$5.00) per child for each visit to a provider, except that there shall be no copayment required for well-baby, well-child, or age-appropriate immunization services;
- (2) Five dollars (\$5.00) per child for each outpatient hospital visit;
- (3) A one dollar (\$1.00) fee for each outpatient generic prescription drug, for each outpatient brand-name prescription drug for which there is no generic substitution available, and for each covered over-the-counter medication.

- 1 The fee for each outpatient brand-name prescription drug for which there is a
2 generic substitution available is ten dollars (\$10.00).
3 (4) Twenty dollars (\$20.00) for each emergency room visit unless:
4 a. The child is admitted to the hospital, or
5 b. No other reasonable care was available as determined by the
6 Department.
7 ..."

9 LME/MCO OUT-OF-NETWORK AGREEMENTS

10 **SECTION 12H.3.(a)** The Department of Health and Human Services (Department)
11 shall ensure that local management entities/managed care organizations (LME/MCOs) utilize
12 an out-of-network agreement that contains standardized elements developed in consultation
13 with LME/MCOs. The out-of-network agreement shall be a streamlined agreement between a
14 single provider of behavioral health or intellectual/developmental disability (IDD) services and
15 an LME/MCO to ensure access to care in accordance with 42 C.F.R. 438.206(b)(4), reduce
16 administrative burden on the provider, and comply with all requirements of State and federal
17 laws and regulations. Beginning July 1, 2015, LME/MCOs shall use the out-of-network
18 agreement in lieu of a comprehensive provider contract when all of the following conditions are
19 met:

- 20 (1) The services requested are medically necessary and cannot be provided by
21 an in-network provider.
22 (2) The behavioral health or IDD provider's site of service delivery is located
23 outside of the geographical catchment area of the LME/MCO, and the
24 LME/MCO is not accepting applications or the provider does not wish to
25 apply for membership in the LME/MCO closed network.
26 (3) The behavioral health or IDD provider is not excluded from participation in
27 the Medicaid program, the NC Health Choice program or other State or
28 federal health care program.
29 (4) The behavioral health or IDD provider is serving no more than two enrollees
30 of the LME/MCO, unless the agreement is for inpatient hospitalization, in
31 which case the LME/MCO may, but shall not be required to, enter into more
32 than five such out-of-network agreements with a single hospital or health
33 system in any 12-month period.

34 **SECTION 12H.3.(b)** Medicaid providers providing services pursuant to an
35 out-of-network agreement shall be considered a network provider for purposes of Chapter
36 108D of the General Statutes only as it relates to enrollee grievances and appeals.

37 PROVIDER APPLICATION AND RECREDENTIALING FEE

38 **SECTION 12H.4.** The Department of Health and Human Services, Division of
39 Medical Assistance, shall charge an application fee of one hundred dollars (\$100.00), and the
40 amount federally required, to each provider enrolling in the Medicaid Program for the first
41 time. The fee shall be charged to all providers at recredentialing every three years.

42 REIMBURSEMENT FOR IMMUNIZING PHARMACIST SERVICES

43 **SECTION 12H.5.(a)** Effective January 1, 2016, the Department of Health and
44 Human Services, Division of Medical Assistance (Department), shall provide Medicaid and NC
45 Health Choice reimbursement for the administration of covered vaccinations or immunizations
46 provided by immunizing pharmacists in accordance with G.S. 90-85.15B.

47 **SECTION 12H.5.(b)** In order to implement the requirements of subsection (a) of
48 this section, the Department shall enroll immunizing pharmacists as providers.
49
50

1 **SECTION 12H.5.(c)** The Department shall submit any State plan amendments
2 necessary to accomplish the requirements of this section.
3

4 **TRAUMATIC BRAIN INJURY MEDICAID WAIVER**

5 **SECTION 12H.6.(a)** The Department of Health and Human Services, Division of
6 Medical Assistance and Division of Mental Health, Developmental Disabilities, and Substance
7 Abuse Services (Department), shall submit to the Centers for Medicare and Medicaid Services
8 a request for approval of the 1915(c) waiver for individuals with traumatic brain injury (TBI)
9 that the Department designed pursuant to Section 12H.6 of S.L. 2014-100, which the Joint
10 Legislative Oversight Committee on Health and Human Services recommended as part of its
11 December 2014 report to the General Assembly, and which is further described in the
12 Department's February 1, 2015, report to the General Assembly.

13 **SECTION 12H.6.(b)** The Department shall report to the Joint Legislative
14 Oversight Committee on Health and Human Services on the status of the Medicaid TBI waiver
15 request and the plan for implementation no later than December 1, 2015. The Department shall
16 submit an updated report by March 1, 2016. Each report shall include the following:

- 17 (1) The number of individuals who are being served under the waiver and the
18 total number of individuals expected to be served.
- 19 (2) The expenditures to date and a forecast of future expenditures.
- 20 (3) Any recommendations regarding expansion of the waiver.

21 **SECTION 12H.6.(c)** Of the funds appropriated to the Department of Health and
22 Human Services, Division of Medical Assistance, two million dollars (\$2,000,000) for fiscal
23 year 2015-2016 and two million dollars (\$2,000,000) for fiscal year 2016-2017 shall be used to
24 fund the Medicaid TBI waiver.
25

26 **ASSESSMENTS**

27 **SECTION 12H.7.** G.S. 108A-122(b) reads as rewritten:

28 "(b) Allowable Cost. – An assessment paid under this Article may be included as
29 allowable costs of a hospital for purposes of any applicable Medicaid reimbursement ~~formula~~
30 formula; assessments paid under this Article shall be excluded from cost settlement. An
31 assessment imposed under this Article may not be added as a surtax or assessment on a patient's
32 bill."
33

34 **ELIMINATE 2% FUNDING OF LME/MCO RISK RESERVE**

35 **SECTION 12H.8.** Effective July 1, 2016, the Department of Health and Human
36 Services, Division of Medical Assistance, shall discontinue paying the two percent (2%) added
37 to the administrative payments to local management entities/managed care organizations
38 (LME/MCOs), which have funded the LME/MCOs' contractually required risk reserve
39 accounts.
40

41 **ADMINISTRATIVE HEARINGS FUNDING**

42 **SECTION 12H.9.** The Department of Health and Human Services (Department)
43 shall transfer the sum of one million dollars (\$1,000,000) for the 2015-2016 fiscal year and the
44 sum of one million dollars (\$1,000,000) for the 2016-2017 fiscal year to the Office of
45 Administrative Hearings (OAH). These funds shall be allocated by the OAH for mediation
46 services provided for Medicaid applicant and recipient appeals and to contract for other
47 services necessary to conduct the appeals process. OAH shall continue the Memorandum of
48 Agreement (MOA) with the Department for mediation services provided for Medicaid recipient
49 appeals and contracted services necessary to conduct the appeals process. The MOA will
50 facilitate the Department's ability to draw down federal Medicaid funds to support this
51 administrative function. Upon receipt of invoices from OAH for covered services rendered in

accordance with the MOA, the Department shall transfer the federal share of Medicaid funds drawn down for this purpose.

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 12H.10.(a) Receivables reserved at the end of the 2015-2016 and 2016-2017 fiscal years shall, when received, be accounted for as nontax revenue for each of those fiscal years.

SECTION 12H.10.(b) For the 2015-2016 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred thirty-nine million dollars (\$139,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. For the 2016-2017 fiscal year, the Department of Health and Human Services shall deposit from its revenues one hundred thirty-nine million dollars (\$139,000,000) with the Department of State Treasurer to be accounted for as nontax revenue. These deposits shall represent the return of General Fund appropriations, nonfederal revenue, fund balances, or other resources from State-owned and State-operated hospitals which are used to provide indigent and nonindigent care services. The return from State-owned and State-operated hospitals to DHHS will be made from nonfederal resources in an amount equal to the amount of the payments from the Division of Medical Assistance for uncompensated care. The treatment of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Title 2, Part 225.

MEDICAID SPECIAL FUND TRANSFER

SECTION 12H.11. Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143C-9-1, there is appropriated from the Medicaid Special Fund to the Department of Health and Human Services the sum of forty-three million dollars (\$43,000,000) for the 2015-2016 fiscal year and the sum of forty-three million dollars (\$43,000,000) for the 2016-2017 fiscal year. These funds shall be allocated as prescribed by G.S. 143C-9-1(b) for Medicaid programs. Notwithstanding the prescription in G.S. 143C-9-1(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act.

MISCELLANEOUS MEDICAID PROVISIONS

SECTION 12H.12.(a) Volume Purchase Plans and Single Source Procurement. – The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

SECTION 12H.12.(b) Cost Containment Programs. – The Department of Health and Human Services, Division of Medical Assistance, may undertake cost containment programs, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.

SECTION 12H.12.(c) Medicaid Identification Cards. – The Department shall issue Medicaid identification cards to recipients on an annual basis with updates as needed.

NONEMERGENCY MEDICAL TRANSPORTATION

SECTION 12H.13. The Department of Health and Human Services, Division of Medical Assistance, shall develop and issue a request for proposal for a contract beginning January 1, 2016, for the statewide management of Medicaid nonemergency medical transportation services.

MISCELLANEOUS HEALTH CHOICE PROVISIONS

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the Committee even if they do not seek reelection or are not reelected to the General Assembly, but resignation or removal from service in the General Assembly constitutes resignation or removal from service on the Committee.

(c) A member continues to serve until a successor is appointed. A vacancy shall be filled within 30 days by the officer who made the original appointment.

"§ 120-209.1. Purpose and powers of Committee.

(a) The Joint Legislative Oversight Committee on Medicaid shall examine budgeting, financing, administrative, outcomes, and operational issues related to the Medicaid and NC Health Choice programs and to the Department of Health and Human Services.

(b) The Committee may make interim reports to the General Assembly on matters for which it may report to a regular session of the General Assembly. A report to the General Assembly may contain any legislation needed to implement a recommendation of the Committee.

"§ 120-209.2. Organization of Committee.

(a) The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a cochair of the Joint Legislative Oversight Committee on Medicaid. The Committee shall meet upon the joint call of the cochairs and may meet while the General Assembly is in regular session.

(b) A quorum of the Committee is eight members. No action may be taken except by a majority vote at a meeting at which a quorum is present. While in the discharge of its official duties, the Committee has the powers of a joint committee under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4.

(c) Members of the Committee receive subsistence and travel expenses, as provided in G.S. 120-3.1. The Committee may contract for consultants or hire employees in accordance with G.S. 120-32.02. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. Upon the direction of the Legislative Services Commission, the Directors of Legislative Assistants of the Senate and of the House of Representatives shall assign clerical staff to the Committee. The expenses for clerical employees shall be borne by the Committee.

(d) The Committee cochairs may establish subcommittees for the purpose of examining issues relating to its Committee charge.

"§ 120-209.3. Additional powers.

The Joint Legislative Oversight Committee on Medicaid, while in discharge of official duties, shall have access to any paper or document, and may compel the attendance of any State official or employee before the Committee or secure any evidence under G.S. 120-19. In addition, G.S. 120-19.1 through G.S. 120-19.4 shall apply to the proceedings of the Committee as if it were a joint committee of the General Assembly.

"§ 120-209.4. Reports to Committee.

Whenever Medicaid or NC Health Choice is required by law to report to the General Assembly or to any of its permanent, study, or oversight committees or subcommittees on matters affecting the Department, the Department shall transmit a copy of the report to the cochairs of the Joint Legislative Oversight Committee on Medicaid."

SECTION 12H.15.(d) Beginning July 1, 2015, and quarterly thereafter, the Department shall submit a report on the outcomes, operations, and budget of the Medicaid and NC Health Choice programs to the Joint Legislative Oversight Committee on Medicaid, the Fiscal Research Division, and the Office of State Budget and Management.

SECTION 12H.15.(e) On January 1 of each year, beginning in 2016, the Department shall submit a report to the Joint Legislative Oversight Committee on Medicaid, the Fiscal Research Division, and the Office of State Budget and Management on the Medicaid and NC Health Choice programs that includes at least the following information:

- (1) A detailed four-year forecast of expected changes to enrollment growth and enrollment mix.
- (2) What program changes will be made by the Department in order to stay within the existing budget for the programs based on the next fiscal year's forecasted enrollment growth and enrollment mix.
- (3) The cost to maintain the current level of services based on the next fiscal year's forecasted enrollment growth and enrollment mix.

SECTION 12H.15.(f) Notwithstanding G.S. 108A-54.1A, when the Department gives notice to the Native Americans of a State plan amendment, waiver, or waiver amendment, as required under federal law, the Department shall post the State plan amendment, waiver, or waiver amendment on its Web site and notify the members of the Joint Legislative Oversight Committee on Medicaid, the Fiscal Research Division, and the Office of State Budget and Management of the posting. The Department shall maintain on its Web site the most current version of all State plan amendments, waivers, and waiver amendments posted as required by this subsection at least until the plan has been approved, rejected, or withdrawn.

SECTION 12H.15.(g) Prior to submitting any State plan amendment, waiver, or waiver amendment related to Medicaid reform to the Centers for Medicare and Medicaid Services, the Department shall submit a detailed report of the reform plan to the Joint Legislative Commission on Governmental Operations (Commission) and consult with the Commission. If the Commission does not hold a meeting to hear the consultation within 90 days of receiving the submission of the detailed report, the consultation requirement is satisfied.

1915(C) INNOVATIONS WAIVER SERVICES ASSESSMENT

SECTION 12H.16.(a) If (i) federal law or regulation is amended to allow the imposition of assessments on 1915(c) North Carolina Innovations Waiver (formerly Community Alternatives Program for Persons with Mental Retardation/Developmental Disabilities (CAP-MR/DD)) services or such assessments are otherwise allowed by the Centers for Medicare & Medicaid Services (CMS) through waivers and (ii) the providers of such services are willing to participate in an assessment program, then the Department of Health and Human Services, Division of Medical Assistance, may implement a Medicaid assessment program for such services up to the maximum percentage allowed by federal regulation. The Department may retain up to sixty-five percent (65%) of the amount from such an assessment program to support Medicaid expenditures. The Department shall amend contracts with local management entities that have been approved to operate as managed care organizations (LME/MCOs) to ensure that any assessment funds not retained by the Department are used to increase LME/MCO capitation rates and that the additional amounts are passed along to the providers of Innovations Waiver services through increased reimbursement rates.

SECTION 12H.16.(b) The authorization provided to the Department under subsection (a) of this section to impose a new assessment program on Innovations Waiver services shall continue to exist until July 1, 2017. If an assessment program has not been established by July 1, 2017, then this section expires.

SUBPART XII-I. DHHS BLOCK GRANTS

DHHS BLOCK GRANTS

SECTION 12I.1.(a) Except as otherwise provided, appropriations from federal block grant funds are made for each year of the fiscal biennium ending June 30, 2017, according to the following schedule:

TEMPORARY ASSISTANCE FOR NEEDY

FY2015-2016

FY2016-2017

FAMILIES (TANF) FUNDS

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance	\$ 57,167,454	\$ 57,167,454
02.	Work First County Block Grants	80,093,566	78,073,437
03.	Work First Electing Counties	2,378,213	2,378,213
04.	Adoption Services – Special Children's Adoption Fund	2,026,877	2,026,877
05.	Child Protective Services – Child Welfare Workers for Local DSS	9,412,391	9,412,391
06.	Child Welfare Collaborative	632,416	632,416
07.	Boys and Girls Clubs	2,427,975	2,427,975
08.	Reserve for Statewide Early Education And Family Support Programs – Plan and Statewide Proposal to Improve Children's Health	0	2,723,306

Division of Child Development and Early Education

09.	Subsidized Child Care Program	34,584,319	34,584,319
10.	Swap Child Care Subsidy	6,352,644	6,352,644
11.	Pre-K Swap Out	11,301,722	6,806,397
12.	Smart Start	5,527,584	5,527,584

Division of Public Health

13.	Teen Pregnancy Prevention Initiatives	2,500,000	2,500,000
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DHHS Administration

14.	Division of Social Services	2,482,260	2,482,260
15.	Office of the Secretary	34,042	34,042
16.	Eligibility Systems – Operations and Maintenance	2,738,926	4,206,640

Transfers to Other Block Grants

1			
2	Division of Child Development and Early Education		
3			
4	17. Transfer to the Child Care and		
5	Development Fund	71,773,001	71,773,001
6			
7	Division of Social Services		
8			
9	18. Transfer to Social Services Block		
10	Grant for Child Protective Services –		
11	Training	1,300,000	1,300,000
12			
13	19. Transfer to Social Services Block		
14	Grant for Child Protective Services	5,040,000	5,040,000
15			
16	20. Transfer to Social Services Block		
17	Grant for County Departments of		
18	Social Services for Children's Services	4,148,001	4,148,001
19			
20	21. Transfer to Social Services Block		
21	Grant – Foster Care Services	1,385,152	1,385,152
22			
23	TOTAL TEMPORARY ASSISTANCE FOR		
24	NEEDY FAMILIES (TANF) FUNDS	\$303,306,543	\$ 300,982,109

25

26 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)**

27 **EMERGENCY CONTINGENCY FUNDS**

28

29 Local Program Expenditures

30

31	Division of Child Development and Early Education		
32			
33	01. Subsidized Child Care	29,033,340	28,600,000
34			
35	02. Subsidized Child Care Swap Out	4,547,023	0
36			
37	TOTAL TEMPORARY ASSISTANCE FOR		
38	NEEDY FAMILIES (TANF) EMERGENCY		
39	CONTINGENCY FUNDS	\$33,580,363	\$ 28,600,000

40

41 **SOCIAL SERVICES BLOCK GRANT**

42

43 Local Program Expenditures

44

45	Divisions of Social Services and Aging and Adult Services		
46			
47	01. County Departments of Social Services		
48	(Transfer from TANF \$4,148,001)	\$ 27,335,315	\$ 27,108,324
49			
50	02. Child Protective Services		
51	(Transfer from TANF)	5,040,000	5,040,000

03.	State In-Home Services Fund	2,035,075	1,943,950
04.	Adult Protective Services	1,245,363	1,245,363
05.	State Adult Day Care Fund	2,085,209	1,994,084
06.	Child Protective Services/CPS Investigative Services – Child Medical Evaluation Program	563,868	563,868
07.	Special Children Adoption Incentive Fund	462,600	462,600
08.	Child Protective Services – Child Welfare Training for Counties (Transfer from TANF)	1,300,000	1,300,000
09.	Home and Community Care Block Grant (HCCBG)	1,788,014	1,696,888
10.	Child Advocacy Centers	375,000	375,000
11.	Guardianship	4,235,704	4,035,704
12.	Foster Care Services (Transfer from TANF)	1,385,152	1,385,152
Division of Central Management and Support			
13.	DHHS Competitive Block Grants for Nonprofits	3,852,500	3,852,500
14.	NC FAST – Operations and Maintenance	712,324	939,315
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services			
15.	Mental Health Services – Adult and Child/Developmental Disabilities Program/ Substance Abuse Services – Adult	4,030,730	4,030,730
DHHS Program Expenditures			
Division of Services for the Blind			
16.	Independent Living Program	3,361,323	3,361,323
Division of Health Service Regulation			
17.	Adult Care Licensure Program	381,087	381,087

1	18.	Mental Health Licensure and		
2		Certification Program	190,284	190,284
3				
4		DHHS Administration		
5				
6	19.	Division of Aging and Adult Services	577,745	577,745
7				
8	20.	Division of Social Services	559,109	559,109
9				
10	21.	Office of the Secretary/Controller's Office	127,731	127,731
11				
12	22.	Division of Child Development and		
13		Early Education	13,878	13,878
14				
15	23.	Division of Mental Health, Developmental		
16		Disabilities, and Substance Abuse Services	27,446	27,446
17				
18	24.	Division of Health Service Regulation	118,946	118,946
19				
20	TOTAL SOCIAL SERVICES BLOCK GRANT		\$ 61,804,403	\$ 61,331,027
21				
22	LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT			
23				
24	Local Program Expenditures			
25				
26	Division of Social Services			
27				
28	01.	Low-Income Energy Assistance		
29		Program (LIEAP)	\$ 40,244,534	\$ 39,303,674
30				
31	02.	Crisis Intervention Program (CIP)	40,244,534	39,303,674
32				
33	Local Administration			
34				
35	Division of Social Services			
36				
37	03.	County DSS Administration	6,454,961	6,454,961
38				
39	DHHS Administration			
40				
41	04.	Office of the Secretary/DIRM	412,488	412,488
42				
43	05.	Office of the Secretary/Controller's Office	18,378	18,378
44				
45	06.	NC FAST Development	1,075,319	3,381,373
46				
47	Transfers to Other State Agencies			
48				
49	Department of Environment and Natural			
50	Resources (DENR)			
51				

07.	Weatherization Program	11,847,017	11,570,050
08.	Heating Air Repair and Replacement Program (HARRP)	6,303,514	6,156,147
09.	Local Residential Energy Efficiency Service Providers – Weatherization	475,046	475,046
10.	Local Residential Energy Efficiency Service Providers – HARRP	252,761	252,761
11.	DENR – Weatherization Administration	475,046	475,046
12.	DENR – HARRP Administration	252,760	252,760
Department of Administration			
13.	N.C. Commission on Indian Affairs	87,736	87,736

TOTAL LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT

\$ 108,144,094

\$ 108,144,094

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

Local Program Expenditures

Division of Child Development and Early Education

01.	Child Care Services (Smart Start \$7,000,000)	152,370,856	152,370,856
02.	Electronic Tracking System	801,240	401,492
03.	Transfer from TANF Block Grant for Child Care Subsidies	71,773,001	71,773,001
04.	Quality and Availability Initiatives (TEACH Program \$3,800,000)	26,019,987	26,019,987

DHHS Administration

Division of Child Development and Early Education

05.	DCDEE Administrative Expenses	9,049,505	9,049,505
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Division of Social Services

06.	Local Subsidized Child Care Services Support	15,930,279	15,930,279
07.	NC FAST Development	186,404	586,152

1			
2	Division of Central Administration		
3			
4	08. DHHS Central Administration – DIRM		
5	Technical Services	775,000	775,000
6			
7	09. Central Regional Maintenance	202,000	202,000
8			
9	10. Child Care Health Consultation Contracts	62,205	62,205
10			
11	TOTAL CHILD CARE AND DEVELOPMENT		
12	FUND BLOCK GRANT	\$ 277,170,477	\$ 277,170,477
13			
14	MENTAL HEALTH SERVICES BLOCK GRANT		
15			
16	Local Program Expenditures		
17			
18	01. Mental Health Services – Child	3,619,833	3,619,833
19			
20	02. Administration	200,000	200,000
21			
22	03. Mental Health Services – Adult/Child	11,755,152	11,755,152
23			
24	04. Crisis Solutions Initiative – Critical		
25	Time Intervention	750,000	750,000
26			
27	05. Mental Health Services – First		
28	Psychotic Symptom Treatment	643,491	643,491
29			
30	TOTAL MENTAL HEALTH SERVICES		
31	BLOCK GRANT	\$ 16,968,476	\$ 16,968,476
32			
33	SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		
34			
35	Local Program Expenditures		
36			
37	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services		
38			
39	01. Substance Abuse – HIV and IV Drug	3,919,723	3,919,723
40			
41	02. Substance Abuse Prevention	8,669,284	8,669,284
42			
43	03. Substance Abuse Services – Treatment for		
44	Children/Adults	29,519,883	29,519,883
45			
46	04. Crisis Solutions Initiatives – Walk-In		
47	Crisis Centers	420,000	420,000
48			
49	05. Crisis Solutions Initiatives – Collegiate		
50	Wellness/Addiction Recovery	1,085,000	1,085,000
51			

1	06.	Crisis Solutions Initiatives – Community		
2		Paramedic Mobile Crisis Management	60,000	60,000
3				
4	07.	Crisis Solutions Initiatives – Innovative		
5		Technologies	41,000	41,000
6				
7	08.	Crisis Solutions Initiatives – Veteran's Crisis	250,000	250,000
8				
9	09.	Administration	454,000	454,000
10				
11		Division of Public Health		
12				
13	10.	HIV Testing for Individuals in Substance		
14		Abuse Treatment	765,949	765,949
15				
16	TOTAL SUBSTANCE ABUSE PREVENTION			
17	AND TREATMENT BLOCK GRANT		\$ 45,184,839	\$ 45,184,839

MATERNAL AND CHILD HEALTH BLOCK GRANT

Local Program Expenditures

Division of Public Health

25	01.	Children's Health Services		
26		(Safe Sleep Campaign		
27		\$45,000; Prevent Blindness \$560,837)	\$ 7,574,703	\$ 7,574,703
28				
29	02.	Women's Health		
30		(March of Dimes \$350,000; Teen Pregnancy		
31		Prevention Initiatives \$650,000;		
32		17P Project \$52,000;		
33		Nurse-Family Partnership \$509,018)	7,445,148	7,445,148
34				
35	03.	Oral Health	44,901	44,901
36				
37	04.	Evidence-based Programs in Counties		
38		with Highest Infant Mortality Rates	650,000	650,000

DHHS Program Expenditures

Division of Public Health

44	05.	Children's Health Services	1,342,928	1,342,928
45				
46	06.	Women's Health – Maternal Health	107,714	107,714
47				
48	07.	State Center for Health Statistics	158,583	158,583
49				
50	08.	Health Promotion – Injury and		
51		Violence Prevention	87,271	87,271

DHHS Administration

Division of Public Health

09.	Division of Public Health Administration	552,571	552,571
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**TOTAL MATERNAL AND CHILD
HEALTH BLOCK GRANT**

\$ 17,963,819	\$ 17,963,819
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PREVENTIVE HEALTH SERVICES BLOCK GRANT

Local Program Expenditures

01.	Physical Activity and Prevention	\$ 2,855,376	\$ 3,250,582
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02.	Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	173,476	173,476
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03.	Community-Focused Eliminating Health Disparities Initiative Grants	2,756,855	0
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DHHS Program Expenditures

Division of Public Health

04.	HIV/STD Prevention and Community Planning	145,819	145,819
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05.	Oral Health Preventive Services	46,302	46,302
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06.	Laboratory Services – Testing, Training, and Consultation	21,012	21,012
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07.	Injury and Violence Prevention (Services to Rape Victims – Set-Aside)	192,315	192,315
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08.	State Laboratory Services – Testing, Training, and Consultation	199,634	199,634
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09.	Performance Improvement and Accountability	565,964	565,964
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10.	Physical Activity and Nutrition	68,073	68,073
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11.	State Center for Health Statistics	107,291	107,291
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DHHS Administration

Division of Public Health

12.	Division of Public Health	172,820	172,820
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13.	Division of Public Health – Physical Activity and Nutrition Branch	1,243,899	0
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**TOTAL PREVENTIVE HEALTH
SERVICES BLOCK GRANT**

	\$ 8,548,836	\$ 4,943,288
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COMMUNITY SERVICES BLOCK GRANT

Local Program Expenditures

Office of Economic Opportunity

01.	Community Action Agencies	\$ 24,047,065	\$ 24,047,065
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02.	Limited Purpose Agencies	1,335,948	1,335,948
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DHHS Administration

03.	Office of Economic Opportunity	1,335,948	1,335,948
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**TOTAL COMMUNITY SERVICES
BLOCK GRANT**

	\$ 26,718,961	\$ 26,718,961
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GENERAL PROVISIONS

SECTION 12I.1.(b) Information to Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

- (1) A delineation of the proposed allocations by program or activity, including State and federal match requirements.
- (2) A delineation of the proposed State and local administrative expenditures.
- (3) An identification of all new positions to be established through the Block Grant, including permanent, temporary, and time-limited positions.
- (4) A comparison of the proposed allocations by program or activity with two prior years' program and activity budgets and two prior years' actual program or activity expenditures.
- (5) A projection of current year expenditures by program or activity.
- (6) A projection of federal Block Grant funds available, including unspent federal funds from the current and prior fiscal years.

SECTION 12I.1.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund availability, the Office of State Budget and Management shall not approve funding for new programs or activities not appropriated in this section.

If the Congress of the United States decreases the federal fund availability for any of the Block Grants or contingency funds and other grants related to existing Block Grants administered by the Department of Health and Human Services from the amounts appropriated

1 in this section, the Department shall develop a plan to adjust the block grants based on reduced
2 federal funding.

3 Notwithstanding the provisions of this subsection, for fiscal years 2015-2016 and
4 2016-2017, increases in the federal fund availability for the Temporary Assistance to Needy
5 Families (TANF) Block Grant shall be used only for the North Carolina Child Care Subsidy
6 program to pay for child care in four- or five-star-rated facilities for four-year-old children and
7 shall not be used to supplant State funds.

8 Prior to allocating the change in federal fund availability, the proposed allocation must be
9 approved by the Office of State Budget and Management. If the Department adjusts the
10 allocation of any Block Grant due to changes in federal fund availability, then a report shall be
11 made to the Joint Legislative Oversight Committee on Health and Human Services and the
12 Fiscal Research Division.

13 **SECTION 12I.1.(d)** Except as otherwise provided, appropriations from federal
14 Block Grant funds are made for each year of the fiscal biennium ending June 30, 2017,
15 according to the schedule enacted for State fiscal years 2015-2016 and 2016-2017 or until a
16 new schedule is enacted by the General Assembly.

17 **SECTION 12I.1.(e)** All changes to the budgeted allocations to the Block Grants or
18 contingency funds and other grants related to existing Block Grants administered by the
19 Department of Health and Human Services that are not specifically addressed in this section
20 shall be approved by the Office of State Budget and Management, and the Office of State
21 Budget and Management shall consult with the Joint Legislative Oversight Committee on
22 Health and Human Services for review prior to implementing the changes. The report shall
23 include an itemized listing of affected programs, including associated changes in budgeted
24 allocations. All changes to the budgeted allocations to the Block Grants shall be reported
25 immediately to the Joint Legislative Oversight Committee on Health and Human Services and
26 the Fiscal Research Division. This subsection does not apply to Block Grant changes caused by
27 legislative salary increases and benefit adjustments.

28 **SECTION 12I.1.(f)** Except as otherwise provided, the Department of Health and
29 Human Services shall have flexibility to transfer funding between the Temporary Assistance
30 for Needy Families (TANF) Block Grant and the TANF Emergency Contingency Funds Block
31 Grant so long as the total allocation for the line items within those block grants remains the
32 same.

33 34 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) FUNDS**

35 **SECTION 12I.1.(g)** The sum of eighty million ninety-three thousand five hundred
36 sixty-six dollars (\$80,093,566) for the 2015-2016 fiscal year and the sum of seventy-eight
37 million seventy-three thousand four hundred thirty-seven dollars (\$78,073,437) for the
38 2016-2017 fiscal year appropriated in this section in TANF funds to the Department of Health
39 and Human Services, Division of Social Services, shall be used for Work First County Block
40 Grants. The Division shall certify these funds in the appropriate State-level services based on
41 prior year actual expenditures. The Division has the authority to realign the authorized budget
42 for these funds among the State-level services based on current year actual expenditures.

43 **SECTION 12I.1.(h)** The sum of nine million four hundred twelve thousand three
44 hundred ninety-one dollars (\$9,412,391) appropriated in this section to the Department of
45 Health and Human Services, Division of Social Services, in TANF funds for each year of the
46 2015-2017 fiscal biennium for child welfare improvements shall be allocated to the county
47 departments of social services for hiring or contracting staff to investigate and provide services
48 in Child Protective Services cases; to provide foster care and support services; to recruit, train,
49 license, and support prospective foster and adoptive families; and to provide interstate and
50 post-adoption services for eligible families.

Counties shall maintain their level of expenditures in local funds for Child Protective Services workers. Of the Block Grant funds appropriated for Child Protective Services workers, the total expenditures from State and local funds for fiscal years 2015-2016 and 2016-2017 shall not be less than the total expended from State and local funds for the 2012-2013 fiscal year.

SECTION 12L.1.(i) The sum of two million twenty-six thousand eight hundred seventy-seven dollars (\$2,026,877) appropriated in this section in TANF funds to the Department of Health and Human Services, Special Children Adoption Fund, for each year of the 2015-2017 fiscal biennium shall be used in accordance with G.S. 108A-50.2. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services program. No local match shall be required as a condition for receipt of these funds.

SECTION 12L.1.(j) The sum of two million four hundred twenty-seven thousand nine hundred seventy-five dollars (\$2,427,975) appropriated in this section to the Department of Health and Human Services in the TANF Block Grant for each year of the 2015-2017 fiscal biennium for Boys and Girls Clubs shall be used to make grants for approved programs. The Department of Health and Human Services, in accordance with federal regulations for the use of TANF Block Grant funds, shall administer a grant program to award funds to the Boys and Girls Clubs across the State in order to implement programs that improve the motivation, performance, and self-esteem of youths and to implement other initiatives that would be expected to reduce gang participation, school dropout, and teen pregnancy rates. The Department shall encourage and facilitate collaboration between the Boys and Girls Clubs and Support Our Students, Communities in Schools, and similar programs to submit joint applications for the funds, if appropriate.

SOCIAL SERVICES BLOCK GRANT

SECTION 12L.1.(k) The sum of twenty-seven million three hundred thirty-five thousand three hundred fifteen dollars (\$27,335,315) for the 2015-2016 fiscal year and the sum of twenty-seven million one hundred eight thousand three hundred twenty-four dollars (\$27,108,324) for the 2016-2017 fiscal year appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, shall be used for county block grants. The Division shall certify these funds in the appropriate State-level services based on prior year actual expenditures. The Division has the authority to realign the authorized budget for these funds among the State-level services based on current year actual expenditures.

SECTION 12L.1.(l) The sum of one million three hundred thousand dollars (\$1,300,000) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for each year of the 2015-2017 fiscal biennium shall be used to support various child welfare training projects as follows:

- (1) Provide a regional training center in southeastern North Carolina.
- (2) Provide training for residential child caring facilities.
- (3) Provide for various other child welfare training initiatives.

SECTION 12L.1.(m) The Department of Health and Human Services is authorized, subject to the approval of the Office of State Budget and Management, to transfer Social Services Block Grant funding allocated for departmental administration between divisions that have received administrative allocations from the Social Services Block Grant.

1 **SECTION 12L.1.(n)** Social Services Block Grant funds appropriated for the
2 Special Children's Adoption Incentive Fund will require a fifty percent (50%) local match.

3 **SECTION 12L.1.(o)** The sum of five million forty thousand dollars (\$5,040,000)
4 appropriated in this section in the Social Services Block Grant for each year of the 2015-2017
5 fiscal biennium shall be allocated to the Department of Health and Human Services, Division
6 of Social Services. The Division shall allocate these funds to local departments of social
7 services to replace the loss of Child Protective Services State funds that are currently used by
8 county government to pay for Child Protective Services staff at the local level. These funds
9 shall be used to maintain the number of Child Protective Services workers throughout the State.
10 These Social Services Block Grant funds shall be used to pay for salaries and related expenses
11 only and are exempt from 10A NCAC 71R .0201(3) requiring a local match of twenty-five
12 percent (25%).

13 **SECTION 12L.1.(p)** The sum of three million eight hundred fifty-two thousand
14 five hundred dollars (\$3,852,500) appropriated in this section in the Social Services Block
15 Grant to the Department of Health and Human Services, Division of Central Management and
16 Support, shall be used for DHHS competitive block grants pursuant to Section 12A.8 of this act
17 for each year of the 2015-2017 fiscal biennium. These funds are exempt from the provisions of
18 10A NCAC 71R .0201(3).

19 **SECTION 12L.1.(q)** The sum of three hundred seventy-five thousand dollars
20 (\$375,000) appropriated in this section in the Social Services Block Grant for each year of the
21 2015-2017 fiscal biennium to the Department of Health and Human Services, Division of
22 Social Services, shall be used to continue support for the Child Advocacy Centers, and the
23 funds are exempt from the provisions of 10A NCAC 71R .0201(3).

24 **SECTION 12L.1.(r)** The sum of four million two hundred thirty-five thousand
25 seven hundred four dollars (\$4,235,704) for the 2015-2016 fiscal year and the sum of four
26 million thirty-five thousand seven hundred four dollars (\$4,035,704) for the 2016-2017 fiscal
27 year appropriated in this section in the Social Services Block Grant to the Department of Health
28 and Human Services, Divisions of Social Services and Aging and Adult Services, shall be used
29 for guardianship services pursuant to Chapter 35A of the General Statutes. The Department
30 may expend funds appropriated in this section to support (i) existing corporate guardianship
31 contracts during the 2015-2016 and 2016-2017 fiscal years and (ii) guardianship contracts
32 transferred to the State from local management entities or managed care organizations during
33 the 2015-2016 and 2016-2017 fiscal years.

34 35 **LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT**

36 **SECTION 12L.1.(s)** Additional emergency contingency funds received may be
37 allocated for Energy Assistance Payments or Crisis Intervention Payments without prior
38 consultation with the Joint Legislative Oversight Committee on Health and Human Services.
39 Additional funds received shall be reported to the Joint Legislative Oversight Committee on
40 Health and Human Services and the Fiscal Research Division upon notification of the award.
41 The Department of Health and Human Services shall not allocate funds for any activities,
42 including increasing administration, other than assistance payments, without prior consultation
43 with the Joint Legislative Oversight Committee on Health and Human Services.

44 **SECTION 12L.1.(t)** The sum of forty million two hundred forty-four thousand five
45 hundred thirty-four dollars (\$40,244,534) for the 2015-2016 fiscal year and the sum of
46 thirty-nine million three hundred three thousand six hundred seventy-four dollars (\$39,303,674)
47 for the 2016-2017 fiscal year appropriated in this section in the Low-Income Energy Assistance
48 Block Grant to the Department of Health and Human Services, Division of Social Services,
49 shall be used for energy assistance payments for the households of (i) elderly persons age 60
50 and above with income up to one hundred thirty percent (130%) of the federal poverty level

and (ii) disabled persons eligible for services funded through the Division of Aging and Adult Services.

County departments of social services shall submit to the Division of Social Services an outreach plan for targeting households with 60-year-old household members no later than August 1 of each year. The outreach plan shall comply with the following:

- (1) Ensure that eligible households are made aware of the available assistance with particular attention paid to the elderly population age 60 and above and disabled persons receiving services through the Division of Aging and Adult Services.
- (2) Include efforts by the county department of social services to contact other State and local governmental entities and community-based organizations to (i) offer the opportunity to provide outreach and (ii) receive applications for energy assistance.
- (3) Be approved by the local board of social services or human services board prior to submission.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 12L.1.(u) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 12L.1.(v) If funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent in that program within the obligation or liquidation periods allowed by the federal grants, the Department may move funds to child care subsidies, unless otherwise prohibited by federal requirements of the grant, in order to use the federal funds fully.

MENTAL HEALTH SERVICES BLOCK GRANT

SECTION 12L.1.(w) The sum of six hundred forty-three thousand four hundred ninety-one dollars (\$643,491) appropriated in this section in the Mental Health Services Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for each year of the 2015-2017 fiscal biennium is allocated for Mental Health Services – First Psychotic Symptom Treatment. The Division shall report on (i) the specific evidence-based treatment and services provided, (ii) the number of persons treated, and (iii) the measured outcomes or impact on the participants served. The Division shall report to the House of Representatives Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division no later than December 31, 2016.

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

SECTION 12L.1.(x) The sum of two hundred fifty thousand dollars (\$250,000) appropriated in this section in the Substance Abuse Prevention and Treatment Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for each year of the 2015-2017 fiscal biennium shall be allocated to the Department of Administration, Division of Veterans Affairs, to establish a call-in center to assist veterans in locating service benefits and crisis services. The call-in center shall be staffed by certified veteran peers within the Division of Veterans Affairs and trained by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

MATERNAL AND CHILD HEALTH BLOCK GRANT

1 **SECTION 12I.1.(y)** If federal funds are received under the Maternal and Child
2 Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193
3 (42 U.S.C. § 710), for the 2015-2016 fiscal year or the 2016-2017 fiscal year, then those funds
4 shall be transferred to the State Board of Education to be administered by the Department of
5 Public Instruction. The Department of Public Instruction shall use the funds to establish an
6 abstinence until marriage education program and shall delegate to one or more persons the
7 responsibility of implementing the program and G.S. 115C-81(e1)(4) and (4a). The Department
8 of Public Instruction shall carefully and strictly follow federal guidelines in implementing and
9 administering the abstinence education grant funds.

10 **SECTION 12I.1.(z)** The Department of Health and Human Services shall ensure
11 that there will be follow-up testing in the Newborn Screening Program.

12 **SECTION 12I.1.(aa)** The sum of six hundred fifty thousand dollars (\$650,000)
13 appropriated in this section in the Maternal and Child Health Block Grant to the Department of
14 Health and Human Services, Division of Public Health, for each year of the 2015-2017 fiscal
15 biennium shall be used for Evidence-based Programs in Counties with Highest Infant Mortality
16 Rates. The Division shall report on (i) the counties selected to receive the allocation, (ii) the
17 specific evidenced-based services provided, (iii) the number of women served, and (iv) any
18 impact on the counties' infant mortality rate. The Division shall report its findings to the House
19 of Representatives Appropriations Committee on Health and Human Services, the Senate
20 Appropriations Committee on Health and Human Services, and the Fiscal Research Division no
21 later than December 31, 2016.

22 **PART XIII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES**

23 **COMMISSIONER OF AGRICULTURE/VEHICLE BENEFITS**

24 **SECTION 13.1.** G.S. 143-341(8)(i)7a. reads as rewritten:

25 "7a. To adopt with the approval of the Governor and to enforce
26 rules and to coordinate State policy regarding (i) the
27 permanent assignment of state-owned passenger motor
28 vehicles and (ii) the use of and reimbursement for those
29 vehicles for the limited commuting permitted by this
30 subdivision. For the purpose of this subdivision 7a,
31 "state-owned passenger motor vehicle" includes any
32 state-owned passenger motor vehicle, whether or not owned,
33 maintained or controlled by the Department of
34 Administration, and regardless of the source of the funds used
35 to purchase it. Notwithstanding the provisions of G.S. 20-190
36 or any other provisions of law, all state-owned passenger
37 motor vehicles are subject to the provisions of this
38 subdivision 7a; no permanent assignment shall be made and
39 no one shall be exempt from payment of reimbursement for
40 commuting or from the other provisions of this subdivision 7a
41 except as provided by this subdivision 7a. Commuting, as
42 defined and regulated by this subdivision, is limited to those
43 specific cases in which the Secretary has received and
44 accepted written justification, verified by historical data. The
45 Department shall not assign any state-owned motor vehicle
46 that may be used for commuting other than those authorized
47 by the procedure prescribed in this subdivision.

48 A State-owned passenger motor vehicle shall not be
49 permanently assigned to an individual who is likely to drive it
50
51

1 on official business at a rate of less than 3,150 miles per
2 quarter unless (i) the individual's duties are routinely related
3 to public safety or (ii) the individual's duties are likely to
4 expose the individual routinely to life-threatening situations.
5 A State-owned passenger motor vehicle shall also not be
6 permanently assigned to an agency that is likely to drive it on
7 official business at a rate of less than 3,150 miles per quarter
8 unless the agency can justify to the Division of Motor Fleet
9 Management the need for permanent assignment because of
10 the unique use of the vehicle. Each agency, other than the
11 Department of Transportation, that has a vehicle assigned to it
12 or has an employee to whom a vehicle is assigned shall
13 submit a quarterly report to the Division of Motor Fleet
14 Management on the miles driven during the quarter by the
15 assigned vehicle. The Division of Motor Fleet Management
16 shall review the report to verify that each motor vehicle has
17 been driven at the minimum allowable rate. If it has not and if
18 the department by whom the individual to which the car is
19 assigned is employed or the agency to which the car is
20 assigned cannot justify the lower mileage for the quarter, the
21 permanent assignment shall be revoked immediately. The
22 Department of Transportation shall submit an annual report to
23 the Division of Motor Fleet Management on the miles driven
24 during the year by vehicles assigned to the Department or to
25 employees of the Department. If a vehicle included in this
26 report has not been driven at least 12,600 miles during the
27 year, the Department of Transportation shall review the
28 reasons for the lower mileage and decide whether to
29 terminate the assignment. The Division of Motor Fleet
30 Management may not revoke the assignment of a vehicle to
31 the Department of Transportation or an employee of that
32 Department for failure to meet the minimum mileage
33 requirement unless the Department of Transportation
34 consents to the revocation.

35 Every individual who uses a State-owned passenger
36 motor vehicle, pickup truck, or van to drive between the
37 individual's official work station and his or her home, shall
38 reimburse the State for these trips at a rate computed by the
39 Department. This rate shall approximate the benefit derived
40 from the use of the vehicle as prescribed by federal law.
41 Reimbursement shall be for 20 days per month regardless of
42 how many days the individual uses the vehicle to commute
43 during the month. Reimbursement shall be made by payroll
44 deduction. Funds derived from reimbursement on vehicles
45 owned by the Motor Fleet Management Division shall be
46 deposited to the credit of the Division; funds derived from
47 reimbursements on vehicles initially purchased with
48 appropriations from the Highway Fund and not owned by the
49 Division shall be deposited in a Special Depository Account
50 in the Department of Transportation, which shall revert to the
51 Highway Fund; funds derived from reimbursement on all

other vehicles shall be deposited in a Special Depository Account in the Department of Administration which shall revert to the General Fund. Commuting, for purposes of this paragraph, does not include those individuals whose office is in their home, as determined by the Department of Administration, Division of Motor Fleet Management. Also, this paragraph does not apply to the following vehicles: (i) clearly marked police and fire vehicles, (ii) delivery trucks with seating only for the driver, (iii) flatbed trucks, (iv) cargo carriers with over a 14,000 pound capacity, (v) school and passenger buses with over 20 person capacities, (vi) ambulances, (vii) [Repealed]. (viii) bucket trucks, (ix) cranes and derricks, (x) forklifts, (xi) cement mixers, (xii) dump trucks, (xiii) garbage trucks, (xiv) specialized utility repair trucks (except vans and pickup trucks), (xv) tractors, (xvi) unmarked law-enforcement vehicles that are used in undercover work and are operated by full-time, fully sworn law-enforcement officers whose primary duties include carrying a firearm, executing search warrants, and making arrests, ~~and (xvii)-(xvii)~~ any other vehicle exempted under Section 274(d) of the Internal Revenue Code of 1954, and Federal Internal Revenue Services regulations based ~~thereon~~ thereon, or (xviii) the vehicle assigned to the Commissioner of Agriculture, with respect to trips between the Commissioner's home and locations other than the Commissioner's office. The Department of Administration, Division of Motor Fleet Management, shall report quarterly to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division of the Legislative Services Office on individuals who use State-owned passenger motor vehicles, pickup trucks, or vans between their official work stations and their homes, who are not required to reimburse the State for these trips.

The Department of Administration shall revoke the assignment or require the Department owning the vehicle to revoke the assignment of a State-owned passenger motor vehicle, pickup truck or van to any individual who:

- I. Uses the vehicle for other than official business except in accordance with the commuting rules;
- II. Fails to supply required reports to the Department of Administration, or supplies incomplete reports, or supplies reports in a form unacceptable to the Department of Administration and does not cure the deficiency within 30 days of receiving a request to do so;
- III. Knowingly and willfully supplies false information to the Department of Administration on applications for permanent assignments, commuting reimbursement forms, or other required reports or forms;
- IV. Does not personally sign all reports on forms submitted for vehicles permanently assigned to him or

her and does not cure the deficiency within 30 days of receiving a request to do so;

V. Abuses the vehicle; or

VI. Violates other rules or policy promulgated by the Department of Administration not in conflict with this act.

A new requisition shall not be honored until the Secretary of the Department of Administration is assured that the violation for which a vehicle was previously revoked will not recur.

The Department of Administration, with the approval of the Governor, may delegate, or conditionally delegate, to the respective heads of agencies which own passenger motor vehicles or to which passenger motor vehicles are permanently assigned by the Department, the duty of enforcing all or part of the rules adopted by the Department of Administration pursuant to this subdivision 7a. The Department of Administration, with the approval of the Governor, may revoke this delegation of authority.

Notwithstanding the provisions of this section and G.S. 14-247, the Department of Administration may allow the organization sanctioned by the Governor's Council on Physical Fitness to conduct the North Carolina State Games to use State trucks and vans for the State Games of North Carolina. The Department of Administration shall not charge any fees for the use of the vehicles for the State Games. The State shall incur no liability for any damages resulting from the use of vehicles under this provision. The organization that conducts the State Games shall carry liability insurance of not less than one million dollars (\$1,000,000) covering such vehicles while in its use and shall be responsible for the full cost of repairs to these vehicles if they are damaged while used for the State Games."

TVA SETTLEMENT FUNDS

SECTION 13.2. In fiscal year 2015-2016, The Department of Agriculture and Consumer Services shall apply for two million two hundred forty thousand dollars (\$2,240,000) from the Tennessee Valley Authority Settlement Agreement in compliance with the requirements of paragraphs 122 through 128 of the Consent Decree entered into by the State in *State of Alabama et al. v. Tennessee Valley Authority*, Civil Action 3:11-cv-00170 in the United States District Court for the Eastern District of Tennessee, and Appendix C to the Compliance Agreement. The funds received by the State shall be allocated as follows:

- (1) Five hundred thousand dollars (\$500,000) to WNC Communities to fund energy efficiency projects for public schools in areas served by the organization. Of the funds allocated in this subdivision, WNC Communities may use up to fifty thousand dollars (\$50,000) for administrative expenses.
- (2) Seven hundred forty thousand dollars (\$740,000) to municipalities with a population less than 1,000 located in counties within the Tennessee Valley Authority Service area that are classified as distressed by the Appalachian Regional Commission, for higher efficiency upgrades to electrical transmission and distribution equipment and facilities.

- (3) One million dollars (\$1,000,000) to the Department of Environment and Natural Resources to provide the nonfederal match to funding from the Natural Resources Conservation Service for projects conducted under the Western North Carolina Stream Initiative in the following counties: Avery, Buncombe, Burke, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Swain, Transylvania, Watauga, and Yancey.

DISPOSITION OF ROSE HILL LABORATORY PROPERTY

SECTION 13.3. Notwithstanding Article 7 of Chapter 146 of the General Statutes, the Department of Administration shall sell the building and associated real property formerly used to house the Veterinary Diagnostic Laboratory located in the Town of Rose Hill in Duplin County. The Department of Administration shall credit the receipts to the Department of Agriculture and Consumer Services' General Fund to improve the efficiency and responsiveness of the Department's diagnostic laboratory system, and the net proceeds, once realized, are appropriated for that purpose. The Department of Administration may retain a service charge not greater than ten percent (10%) of the gross proceeds from the sale, to be used as set forth in G.S. 146-30(b)(3).

DRUG MANUFACTURING LICENSING AND REGISTRATION FEES

SECTION 13.4.(a) G.S. 106-140.1(h) reads as rewritten:

"(h) The Commissioner shall adopt rules to implement the registration requirements of this section. These rules ~~may~~ shall provide for an annual registration fee of ~~up to five hundred dollars (\$500.00)~~ one thousand dollars (\$1,000) for companies operating as ~~manufacturers, wholesalers, or repackagers~~ manufacturers or repackagers and ~~seven hundred dollars (\$700.00)~~ for companies operating as wholesalers. The Department of Agriculture and Consumer Services shall use these funds for the implementation of the North Carolina Food, Drug and Cosmetic Act."

SECTION 13.4.(b) G.S. 106-145.4(b) reads as rewritten:

"§ 106-145.4. Application and fee for license.

"(b) Fee. – An application for an initial license or a renewed license as a wholesale distributor shall be accompanied by a nonrefundable fee of ~~five hundred dollars (\$500.00)~~ one thousand dollars (\$1,000) for a manufacturer or ~~three hundred fifty dollars (\$350.00)~~ seven hundred dollars (\$700.00) for any other person."

FOOD MANUFACTURER AND RETAILER INSPECTION FEES

SECTION 13.5. G.S. 106-254 reads as rewritten:

"§ 106-254. Inspection fees; wholesalers; retailers and cheese factories.

For the purpose of defraying the expenses incurred in the enforcement of this Article, the owner, proprietor or operator of each ice cream factory where ice cream, milk shakes, milk sherbet, sherbet, water ices, mixes for frozen or semifrozen desserts and other similar frozen or semifrozen food products are made or stored, or any cheese factory or butter-processing plant that disposes of its products at wholesale to retail dealers for resale in this State shall pay to the Commissioner of Agriculture each year an inspection fee of ~~forty dollars (\$40.00)~~ one hundred dollars (\$100.00). Each maker of ice cream, milk shakes, milk sherbet, sherbet, water ices and/or other similar frozen or semifrozen food products who disposes of his product at retail only, and cheese factories, shall pay to the Commissioner of Agriculture an inspection fee of ~~ten dollars (\$10.00)~~ fifty dollars (\$50.00) each year. The inspection fee of ~~ten dollars (\$10.00)~~ fifty dollars (\$50.00) shall not apply to conventional spindle-type milk-shake mixers, but shall apply to milk-shake dispensing and vending machines, which operate on a continuous or automatic basis."

DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES SPECIAL FUNDS TRANSFER/OFFSET GENERAL FUND APPROPRIATION

SECTION 13.6.(a) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Agriculture and Consumer Services, shall transfer to the General Fund the sum of two hundred seventy-five thousand three hundred ninety-nine dollars (\$275,399) from the Swine Waste Fund (Budget Code 23704-2730).

SECTION 13.6.(b) The transfer in subsection (a) of this section is to offset reductions in General Fund appropriations to the Department of Agriculture and Consumer Services for the 2015-2016 fiscal year.

SECTION 13.6.(c) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Agriculture and Consumer Services, shall transfer to the General Fund the sum of one million eighty-one thousand one hundred sixty dollars (\$1,081,160) from the Conservation Reserve Enhancement Program fund (Budget Code 23704-2711).

SECTION 13.6.(d) The transfer in subsection (c) of this section is to offset reductions in General Fund appropriations to the Department of Agriculture and Consumer Services for the 2016-2017 fiscal year.

PART XIV. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

PROSPERITY ZONE DENR LIASONS

SECTION 14.1. Section 4.1 of S.L. 2014-18 reads as rewritten:

"SECTION 4.1. No later than January 1, 2015, the Departments of Commerce, Environment and Natural Resources, and Transportation shall have at least one employee physically located in the same office in each of the Collaboration for Prosperity Zones set out in G.S. 143B-28.1 to serve as that department's liaison with the other departments and with local governments, schools and colleges, planning and development bodies, and businesses in that zone. The departments shall jointly select the office. For purposes of this Part, the Department of Commerce may contract with a North Carolina nonprofit corporation pursuant to G.S. 143B-431A, as enacted by this act, to fulfill the departmental liaison requirements for each office in each of the Collaboration for Prosperity ~~Zones~~Zones, and the Department of Environment and Natural Resources shall fulfill the departmental liaison requirements from existing and funded positions.

No later than January 1, 2015, the Community Colleges System Office shall designate at least one representative from a community college or from the Community Colleges System Office to serve as a liaison in each Collaboration for Prosperity Zone for the community college system, the community colleges in the zone, and other educational agencies and schools within the zone. A liaison may be from a business center located in a community college. These liaisons are not required to be colocated with the liaisons from the Departments of Commerce, Environment and Natural Resources, and Transportation.

No later than January 1, 2015, the State Board of Education shall designate at least one representative from a local school administrative unit or from the Department of Public Instruction to serve as a liaison in each Collaboration for Prosperity Zone for the local school administrative units and other public schools within the zone. These liaisons are not required to be colocated with the liaisons from the Departments of Commerce, Environment and Natural Resources, and Transportation."

IMPROVE FINANCIAL MANAGEMENT OF ENVIRONMENTAL STEWARDSHIP FUNDS THROUGH CONSERVATION GRANT FUND

1 **SECTION 14.2.** G.S. 147-69.2(d) reads as rewritten:

2 "(d) The State Treasurer may invest funds deposited pursuant to subdivision
3 ~~(a)(17i)~~ subdivisions (a)(17i) or (a)(17j) of this section in any of the investments authorized
4 under subdivisions (1) through (6) and subdivision (8) of subsection (b) of this section. The
5 State Treasurer may require a minimum deposit, up to one hundred thousand dollars
6 (\$100,000), and may assess a reasonable fee, not to exceed 15 basis points, as a condition of
7 participation pursuant to this subsection. Funds deposited pursuant to this subsection shall
8 remain the funds of the North Carolina Conservation Easement Endowment ~~Fund~~, Fund or the
9 Conservation Grant Fund, as applicable, and interest or other investment income earned thereon
10 shall be prorated and credited to the North Carolina Conservation Easement Endowment ~~Fund~~
11 Fund or the Conservation Grant Fund on the basis of the amounts thereof
12 ~~contributed~~, contributed to the respective Funds, figured according to sound accounting
13 principles."
14

15 **ALLOW REVENUE GENERATED FROM TIMBER SALE TO BE RETAINED IN A**
16 **NONREVERTING ACCOUNT FOR A PERIOD OF FOUR YEARS**

17 **SECTION 14.3.** The Department of Environment and Natural Resources'
18 Stewardship Program may retain revenue generated from timber harvesting on the Great
19 Coharie property in the Conservation Grant Endowment Interest Fund (6705) for the purpose of
20 restoration and stewardship of that property. Any unused portion of this revenue remaining in
21 the Fund on June 30, 2019, shall revert to the General Fund.
22

23 **SEPARATE NATURAL HERITAGE PROGRAM FROM CLEAN WATER**
24 **MANAGEMENT TRUST FUND**

25 **SECTION 14.4.** G.S. 113A-253(c)(8e) is repealed.
26

27 **WATER QUALITY REMEDIATION**

28 **SECTION 14.5.** Of the funds appropriated in this Act to the Clean Water
29 Management Trust Fund, the sum of five hundred thousand dollars (\$500,000) shall be used for
30 the remediation and mitigation of stormwater impacts to lakes subject to a Nutrient
31 Management Strategy approved by the Environmental Management Commission.
32

33 **SHALLOW DRAFT NAVIGATION CHANNEL DREDGING FUNDING**
34 **EARMARK/AQUATIC WEED CONTROL**

35 **SECTION 14.6.(a)** G.S. 143-215.73F reads as rewritten:

36 "**§ 143-215.73F. Shallow Draft Navigation Channel Dredging and Lake Maintenance**
37 **Fund.**

38 (a) Fund Established. – The Shallow Draft Navigation Channel Dredging and Lake
39 Maintenance Fund is established as a special revenue fund. The Fund consists of fees credited
40 to it under ~~G.S. 75A-3, 75A-38, G.S. 75A-3 and G.S. 75A-38 and 105-449.126.~~ taxes credited
41 under G.S. 105-449.126.

42 (b) Uses of Fund. – Revenue in the Fund may only be used for the following purposes:

- 43 (1) ~~to~~ To provide the State's share of the costs associated with any dredging
44 project designed to keep shallow draft navigation channels located in State
45 waters or waters of the state located within lakes navigable and ~~safe~~, safe.
46 (2) ~~or for~~ For aquatic weed control projects in waters of the State located within
47 lakes under Article 15 of Chapter 113A of the General Statutes. Funding for
48 aquatic weed control projects is limited to five hundred thousand dollars
49 (\$500,000) in each fiscal year.

50 (c) Cost-Share. – Any project funded by revenue from the Fund must be cost-shared
51 with non-State dollars on a one-to-one basis, provided that the cost-share for a lake located

1 within a component of the State Parks System shall be provided by the Division of Parks and
2 Recreation of the Department of Environment and Natural Resources. The Division of Parks
3 and Recreation may use funds allocated to the State Parks System for capital projects under
4 G.S. 113-44.15 for the cost-share.

5 (d) Definition. – For purposes of this section, "shallow draft navigation channel" means
6 (i) a waterway connection with a maximum depth of 16 feet between the Atlantic Ocean and a
7 bay or the Atlantic Intracoastal Waterway, (ii) a river entrance to the Atlantic Ocean through
8 which tidal and other currents flow, or (iii) other interior coastal waterways. "Shallow draft
9 navigation channel" includes the Atlantic Intracoastal Waterway and its side channels, Beaufort
10 Harbor, Bogue Inlet, Carolina Beach Inlet, the channel from Back Sound to Lookout Back,
11 channels connected to federal navigation channels, Lockwoods Folly River,
12 Manteo/Shallowbag Bay, including Oregon Inlet, Masonboro Inlet, New River, New Topsail
13 Inlet, Rodanthe, Rollinson, Shallotte River, Silver Lake Harbor, and the waterway connecting
14 Pamlico Sound and Beaufort Harbor.

15 (e) Designation of Certain Funds. – Of the taxes credited to the Fund under
16 G.S. 105-449.126, the sum of three million five hundred thousand dollars (\$3,500,000) per
17 fiscal year shall be reserved for Oregon Inlet dredging projects. Funds reserved pursuant to this
18 subsection that are unencumbered as of June 30 of the fiscal year in which the funds are
19 reserved may be used for any other purpose permitted by the Fund."

20 **SECTION 14.6.(b)** Of the funds appropriated in this Act for aquatic weed control,
21 up to nine hundred thousand dollars (\$900,000) may be made available for aquatic weed
22 control in the State's rivers in the 2015-2016 fiscal year.

23 24 **USE OF OYSTER SHELLS PROHIBITED IN COMMERCIAL LANDSCAPING**

25 **SECTION 14.7.(a)** Article 20 of Chapter 113 of the General Statutes is amended
26 by adding a new section to read:

27 **"§ 113-270. Use of oyster shells by landscape contractors prohibited.**

28 (a) No landscape contractor shall use oyster shells as a ground cover.

29 (b) Enforcement of the prohibition set forth in this section shall be under the
30 jurisdiction of the Marine Fisheries Commission.

31 (c) For purposes of this section, landscape contractor shall have the definition set forth
32 in G.S. 89D-11."

33 **SECTION 14.7.(b)** This section is effective October 1, 2015.

34 35 **CORE SOUND OYSTER LEASING**

36 **SECTION 14.8.** The Division of Marine Fisheries of the Department of
37 Environment and Natural Resources shall, in consultation with representatives of the
38 commercial fishing industry, representatives of the shellfish aquaculture industry, and relevant
39 federal agencies, create a proposal to open to shellfish cultivation leasing certain areas of Core
40 Sound that are currently subject to a moratorium on shellfish leasing. The Division will submit
41 a report regarding the plan no later than April 1, 2016, to the Joint Legislative Commission on
42 Governmental Operations.

43 44 **AMEND SENATOR JEAN PRESTON MARINE SHELLFISH SANCTUARY** 45 **LEGISLATION**

46 **SECTION 14.9.** Section 44 of S.L. 2014-120 reads as rewritten:

47 **"SENATOR JEAN PRESTON MARINE SHELLFISH—OYSTER SANCTUARY** 48 **PROGRAM**

49 **"SECTION 44.(a)** It is the intent of the General Assembly ~~to establish a marine shellfish~~
50 ~~sanctuary in the Pamlico Sound to be named in honor of former Senator Jean Preston, to be~~
51 ~~called the "Senator Jean Preston Marine Shellfish Sanctuary."~~to enhance shellfish habitats

1 within the Albemarle and Pamlico Sounds and their tributaries to benefit fisheries, water
2 quality, and the economy. This will be achieved through the establishment of a network of
3 oyster sanctuaries, harvestable enhancement sites, and coordinated support for the development
4 of shellfish aquaculture. The network of oyster sanctuaries is to be named in honor of
5 Senator Jean Preston and will be called the "Senator Jean Preston Oyster Sanctuary
6 Network".

7 "SECTION 44.(b) The Division of Marine Fisheries of the Department of Environment
8 and Natural Resources shall designate an area of appropriate acreage within the Pamlico Sound
9 as a recommendation to the Environmental Review Commission for establishment of the
10 "Senator Jean Preston Marine Shellfish Sanctuary" and create a plan for managing the
11 sanctuary that includes develop a plan to construct and manage additional oyster habitats. The
12 new sanctuaries, along with selected existing oyster sanctuaries, will be included in the Senator
13 Jean Preston Oyster Sanctuary Network. The plan will include the following components:

- 14 (1) Location and delineation of the sanctuary. — oyster sanctuaries. — The plan
15 should include a locationlocations for the sanctuariesanctuary network
16 components that minimizes minimize the impact on commercial trawling. In
17 addition, the sanctuary should be gridded into areas leased to private parties
18 for restoration and harvest and areas operated and maintained by the State
19 for restoration that are not open for harvest. The leased and unleased areas
20 should be arranged in a pattern where leased squares are surrounded on four
21 sides by unleased squares. The location of sanctuaries shall take into account
22 connectivity to existing oyster sanctuaries and proposed oyster enhancement
23 sites. New oyster sanctuaries shall be designed to provide hook-and-line
24 fishing while allowing the development of complex fish habitats and
25 brood-stock oysters that will enhance recruitment in the surrounding reefs.
26 The plan should outline a 10-year development project to accomplish the
27 expansion.
- 28 (2) Administration. — The plan should include the prices to be charged for the
29 leased portions of the sanctuary, including an administration fee to be
30 retained by the Division to support the leasing and monitoring program. The
31 plan shall also provide that the balance of lease payments collected by the
32 Division be transferred to the General Fund with a recommendation that
33 some or all of the proceeds be used for the support of the State's special
34 education programs in memory of Senator Jean Preston.
- 35 (3) Enhancement of oyster habitat restoration. — The General Assembly finds
36 that the lack of a reliable State-based supply of oyster seed and inadequate
37 funding for cultch planting are limitations to the expansion of oyster
38 harvesting and the restoration of wild oyster habitat in North Carolina.
39 Therefore, the plan should include the following:
 - 40 a. Provisions and recommendations to facilitate the availability of
41 oyster seed produced in North Carolina for wild oyster habitat
42 restoration projects as well as oyster aquaculture and to reduce
43 potential negative impacts from importation of non-native oyster
44 seed.
 - 45 b. Plans, where feasible, for public-private partnerships for State-based
46 production of viable oyster seed through the creation of one or more
47 production hatcheries and recommendations for increased support of
48 the existing research hatchery at UNC-Wilmington.
 - 49 c. Plans and cost estimates for an expansion of cultch planting in
50 suitable areas of the State's coastal waters in order to expand areas
51 suitable for development of wild oyster habitat.

- (4) Economic relief. – The plan should consider a waiver of application fees and yearly rental fees for new shellfish leases for an established period of time to further promote and support shellfish aquaculture in North Carolina. The new leasing fee waiver program should include measures to discourage speculation and target persons with a genuine interest in starting a shellfish aquaculture business, such as a requirement that the lease be nontransferable for a five-year period.
- (5) Outreach. – The plan should include outreach and education that promotes, whenever possible, public-private partnerships utilizing the Sea Grant College Program, local colleges, and other nongovernmental organizations to (i) encourage shellfish aquaculture and provide technical assistance to broaden cost-effective technologies available to leaseholders; (ii) encourage best management practices to leaseholders; and (iii) inform fishermen and the public on the benefits provided by the Senator Jean Preston Oyster Sanctuary Network.
- (6) Monitoring. – The plan should include a monitoring plan designed to (i) determine the success of oyster reef construction and (ii) evaluate the cost benefit of the oyster sanctuary network and harvestable enhancement sites.
- ~~(3)(7)~~ Funding. – The plan should include a request for appropriations sufficient to provide funds for the construction of appropriate bottom habitat and shellfish seeding and for Division staff necessary to conduct oyster restoration and monitoring activities. The plan should provide that, whenever possible, construction and shellfish seeding be carried out by contract with private entities for Division staff to expand oyster restoration and monitoring activities for 10 years. The plan should provide that, whenever possible, public-private partnerships are employed to meet the construction, seeding, and outreach requirements of the plan.
- ~~(4)~~ Commercial fisherman relief. – To promote the diversification of commercial fishing opportunities, the plan should include a program to award free or discounted leases under this section to commercial fishermen who (i) have held one or more commercial fishing licenses continually for a period of 10 or more years and (ii) receive at least fifty percent (50%) of their income from commercial fishing with those licenses.
- ~~(5)(8)~~ Recommendations. – The plan should shall include recommendations for statutory or regulatory changes needed to expedite the expansion of shellfish restoration and harvesting in order to improve water quality, restore ecological habitats, provide enhanced recreational and commercial fishing opportunities, and expand the coastal economy.
- (9) No funding for sanctuaries in closed areas. – The plan shall provide that no funding or other resources shall be available in water bodies where a moratorium or other legal prohibition on shellfish leasing under Article 16 of Chapter 113 of the General Statutes is currently in effect. This subdivision does not apply to leasing moratoria imposed because the area is closed to shellfish harvesting or recommended for closure by the State Health Director due to pollution.

~~"SECTION 44.(c) No later than December 1, 2014, and quarterly thereafter until submission of a final plan to the Environmental Review Commission, March 1, 2016, the Department of Environment and Natural Resources shall report to the Environmental Review Commission Chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the Senate Appropriations Committee on Natural and~~

1 Economic Resources, and the Fiscal Research Division regarding its implementation of this
2 section and its recommended plan."
3

4 SHELLFISH CULTIVATION LEASING REFORM

5 SECTION 14.10.(a) G.S. 113-202(i) reads as rewritten:

6 "§ 113-202. **New and renewal leases for shellfish cultivation; termination of leases issued**
7 **prior to January 1, 1966.**

8 ...

9 (i) After a lease application is approved by the Secretary, the applicant shall submit to
10 the Secretary ~~a survey of the area approved for leasing and~~ information sufficient to define the
11 bounds of the area approved for leasing with markers in accordance with the rules of the
12 Commission. The survey information shall conform to standards prescribed by the Secretary
13 concerning accuracy of survey and the amount of detail to be shown. When an acceptable
14 survey information is submitted, the boundaries are marked and all fees and rents due in
15 advance are paid, the Secretary shall execute the lease on forms approved by the Attorney
16 General. The Secretary is authorized, with the approval of the lessee, to amend an existing lease
17 by reducing the area under lease or by combining contiguous leases without increasing the total
18 area leased. The information required by this subsection may be based on coordinate
19 information produced using a device equipped to receive global positioning system data."

20 SECTION 14.10.(b) G.S. 113-202(j) reads as rewritten:

21 "(j) Initial leases begin upon the issuance of the lease by the Secretary and expire at
22 noon on the first day of July following the ~~fifth-tenth~~ anniversary of the granting of the lease.
23 Renewal leases are issued for a period of ~~five-10~~ years from the time of expiration of the
24 previous lease. At the time of making application for renewal of a lease, the applicant must pay
25 a filing fee of one hundred dollars (\$100.00). The rental for initial leases is one dollar (\$1.00)
26 per acre for all leases entered into before July 1, 1965, and for all other leases until noon on the
27 first day of July following the first anniversary of the lease. Thereafter, for initial leases entered
28 into after July 1, 1965, and from the beginning for renewals of leases entered into after that
29 date, the rental is ten dollars (\$10.00) per acre per year. Rental must be paid annually in
30 advance prior to the first day of April each year. Upon initial granting of a lease, the pro rata
31 amount for the portion of the year left until the first day of July must be paid in advance at the
32 rate of one dollar (\$1.00) per acre per year; then, on or before the first day of April next, the
33 lessee must pay the rental for the next full year."

34 SECTION 14.10.(c) This section applies to shellfish lease applications received by
35 the Department of Environment and Natural Resources on or after the date this act becomes
36 law.
37

38 DYNAMIC PRICING FOR STATE PARKS AND ATTRACTIONS

39 SECTION 14.11.(a) G.S. 150B-1(d) is amended by adding a new subdivision to
40 read:

41 "(27) The Department of Environment and Natural Resources with respect to
42 operating hours, admission fees, or related activity fees at:

43 a. The North Carolina Zoological Park pursuant to G.S. 143B-335.

44 b. State Parks pursuant to G.S. 113-35.

45 c. The North Carolina Aquariums pursuant to G.S. 143B-289.44."

46 SECTION 14.11.(b) The Department of Environment and Natural Resources shall
47 establish admission fees and related activity fees using a dynamic pricing strategy as defined in
48 subsection (c) of this section. Any rule currently in the Administrative Code related to fees
49 covered by subsection (a) of this section are ineffective and repealed upon the effective date of
50 new admission fees and related activity fees adopted by the Department under the authority set
51 out in subsection (a) of this section. Notice of the initial adoption of new admission fees and

related activity fees under subsection (a) of this section shall be given by the Department to the Codifier of Rules, who, upon receipt of notice of the initial adoption of new admission fees and related activity fees by the Department, shall note the repeal of these rules in the Administrative Code.

SECTION 14.11.(c) It is the intent of the General Assembly that the Department of Environment and Natural Resources institute dynamic pricing as a flexible pricing strategy for entrance fees and related activity fees for the North Carolina Zoological Park, State Parks, and the North Carolina Aquariums. Dynamic pricing is the adjustment of fees for admission and related activities from time to time to reflect marketing forces, including seasonal variations and special event interests, with the intent and effect to maximize revenues from use of these State resources to the extent practicable to offset appropriations from the General Assembly.

SECTION 14.11.(d) Nothing in this section is intended to authorize the Department of Environment and Natural Resources to charge new entrance or parking fees at the State Parks or to charge new parking fees at the North Carolina Zoological Park or the North Carolina Aquariums.

SECTION 14.11.(e) This section applies to operating hours revised or admission fees or related activity fees charged on or after the effective date of this act.

STATE PARKS BUDGET/POSITIONS

SECTION 14.12. Effective July 1, 2015, the following positions are eliminated:

<u>Position number</u>	<u>Title</u>
60032794	Accounting Clerk V
60033107	Maintenance Mechanic IV
60033166	Community Planner III
60032860	Park Ranger
65020598	Facility Maintenance Supervisor II
65020599	Facility Maintenance Supervisor II
60032862	Park Ranger
60033199	Office Assistant V
60032905	Park Ranger
60032990	Office Assistant III
65011956	Maintenance Mechanic IV
65020681	Law Enforcement Officer
65020682	Maintenance Mechanic II
60032817	Park Ranger
60032949	Regional Trails Specialist
60032989	Office Assistant III
60033209	Park Ranger
60032961	Maintenance Mechanic II
65020704	Law Enforcement Officer
65020707	Office Assistant IV
60032797	Park Ranger
60032822	Maintenance Mechanic III
60032979	Park Ranger
60033242	Processing Assistant IV
60032935	Mechanic II
60032954	Office Assistant IV

WATER INFRASTRUCTURE AUTHORITY REVISIONS

SECTION 14.13.(a) G.S. 159G-20(1) is recodified as G.S. 159G-20(1a), and G.S. 159G-20(1a) is recodified as G.S. 159G-20(1c).

1 **SECTION 14.13.(b)** G.S. 159G-20, as amended by subsection (a) of this section,
2 reads as rewritten:

3 **"§ 159G-20. Definitions.**

4 The following definitions apply in this Chapter:

- 5 (1) Affordability. – The relative affordability of a project for a community
6 compared to other communities in North Carolina based on factors that may
7 include water and sewer service rates, median household income, poverty
8 rates, employment rates, or the population of the served community.
- 9 (1a) Asset management plan. – The strategic and systematic application of
10 management practices applied to the infrastructure assets of a local
11 government unit in order to minimize the total costs of acquiring, operating,
12 maintaining, improving, and replacing the assets while at the same time
13 maximizing the efficiency, reliability, and value of the assets.
- 14 (1b) Authority. – The State Water Infrastructure Authority created and
15 established pursuant to Article 5 of this Chapter.
- 16 ...
- 17 (9) ~~High unit cost project.~~ – ~~A project that results in an estimated average~~
18 ~~household user fee for water and sewer service in the area served by the~~
19 ~~project in excess of the high unit cost threshold. The average household user~~
20 ~~fee is calculated for a continuous 12-month period.~~
- 21 (10) ~~High unit cost threshold.~~ – ~~Either of the following amounts determined on~~
22 ~~the basis of data from the most recent federal decennial census and updated~~
23 ~~by the U.S. Department of Housing and Urban Development's annual~~
24 ~~estimated income adjustment factors:~~
- 25 a. ~~One and one-half percent (1.5%) of the median household income in~~
26 ~~an area that receives both water and sewer service.~~
- 27 b. ~~Three-fourths of one percent (3/4%) of the median household income~~
28 ~~in an area that receives only water service or only sewer service.~~
- 29 ...
- 30 (13) Local government unit. – Any of the following:
- 31 a. A city as defined in G.S. 160A-1.
- 32 b. A county.
- 33 c. A consolidated city-county as defined in G.S. 160B-2.
- 34 d. A county water and sewer district created pursuant to Article 6 of
- 35 Chapter 162A of the General Statutes.
- 36 e. A metropolitan sewerage district or a metropolitan water district
- 37 created pursuant to Article 4 of Chapter 162A of the General
- 38 Statutes.
- 39 f. A water and sewer authority created under Article 1 of Chapter 162A
- 40 of the General Statutes.
- 41 g. A sanitary district created pursuant to Part 2 of Article 2 of Chapter
- 42 130A of the General Statutes.
- 43 h. A joint agency created pursuant to Part 1 of Article 20 of Chapter
- 44 160A of the General Statutes.
- 45 i. A joint agency that was created by agreement between two cities and
- 46 towns to operate an airport pursuant to G.S. 63-56 and that provided
- 47 drinking water and wastewater services off the airport premises
- 48 before 1 January 1995.
- 49 (13a) Merger. – The consolidation of two or more water and/or sewer systems into
50 one system with common ownership, management, and operation.

(14) Nonprofit water corporation. – A nonprofit corporation that is incorporated under Chapter 55A of the General Statutes solely for the purpose of providing drinking water or wastewater services and is an eligible applicant for a federal loan or grant from the Rural Utility Services Division, U.S. Department of Agriculture.

(15) Public water system. – Defined in G.S. 130A-313.

(16) Regionalization. – The physical interconnecting of an eligible entity's wastewater system to another entity's wastewater system for the purposes of providing regional treatment or the physical interconnecting of an eligible entity's public water system to another entity's water system for the purposes of providing regional water supply.

~~(16) Reserved.~~

...

(21) Targeted interest rate project. – Either of the following types of projects:

- a. ~~A high unit cost project that is awarded a loan.~~ A project that is awarded a loan from the Drinking Water Reserve or the Wastewater Reserve based on affordability.
- b. A project that is awarded a loan from the CWSRF or the DWSRF and is in a category for which federal law encourages a special focus.

...."

SECTION 14.13.(c) G.S. 159G-23 reads as rewritten:

"§ 159G-23. ~~Common criteria~~ Priority consideration for loan or grant from Wastewater Reserve or Drinking Water Reserve.

The ~~criteria~~ considerations for priority in this section apply to a loan or grant from the Wastewater Reserve or the Drinking Water Reserve. The Division of Water Infrastructure must ~~establish a system of assigning points to applications based on the following criteria:~~ consider the following items when evaluating applications:

- (1) Public necessity. – ~~An applicant must explain how the project~~ A project that promotes public health and protects the environment. A project that ~~that~~ improves a system that is not in compliance with permit requirements or is under orders from the Department, enables a moratorium to be lifted, or replaces failing septic tanks with a wastewater collection system has priority.
- (2) Effect on impaired waters. – A project that improves designated impaired waters of the State ~~has priority.~~ State.
- (3) Efficiency. – A project that achieves efficiencies in meeting the State's water infrastructure needs or reduces vulnerability to drought consistent with Part 2A of Article 21 and Article 38 of Chapter 143 of the General Statutes by one of the following ~~methods has priority:~~ methods:
 - a. The combination of two or more wastewater or public water systems into a regional wastewater or public water system by merger, consolidation, or another means.
 - b. Conservation or reuse of water, including bulk water reuse facilities and waterlines to supply reuse water for irrigation and other approved uses.
 - c. Construction of an interconnection between water systems intended for use in drought or other water shortage emergency.
 - d. Repair or replacement of leaking waterlines to improve water conservation and efficiency or to prevent contamination.
 - e. Replacement of meters and installation of new metering systems.

- (4) Comprehensive land-use plan. – A project that is located in a city or county that has adopted or has taken significant steps to adopt a comprehensive land-use plan under Article 18 of Chapter 153A of the General Statutes or Article 19 of Chapter 160A of the General Statutes ~~has priority over a project located in a city or county that has not adopted a plan or has not taken steps to do so.~~ Statutes. The existence of a plan has more priority than steps taken to adopt a plan, such as adoption of a zoning ordinance. A plan that exceeds the minimum State standards for protection of water resources has ~~more~~ higher priority than one that does not. A project is considered to be located in a city or county if it is located in whole or in part in that unit. A land-use plan is not considered a comprehensive land-use plan unless it has provisions that protect existing water uses and ensure compliance with water quality standards and classifications in all waters of the State affected by the plan.
- (5) Flood hazard ordinance. – A project that is located in a city or county that has adopted a flood hazard prevention ordinance under ~~G.S. 143-215.54A~~ has priority over a project located in a city or county that has not adopted an ordinance. G.S. 143-215.54A. A plan that exceeds the minimum standards under G.S. 143-215.54A for a flood hazard prevention ordinance has ~~more~~ higher priority than one that does not. A project is considered to be located in a city or county if it is located in whole or in part in that unit. If no part of the service area of a project is located within the 100-year floodplain, the project has ~~the same priority~~ equal consideration under this subdivision as if it were located in a city or county that has adopted a flood hazard prevention ordinance. The most recent maps prepared pursuant to the National Flood Insurance Program or approved by the Department determine whether an area is within the 100-year floodplain.
- (6) Sound management. – A project submitted by a local government unit that has demonstrated a willingness and ability to meet its responsibilities through sound fiscal policies and efficient operation and ~~management~~ has priority. management.
- (6a) Asset management plan. – A project submitted by a local government unit with more than 1,000 service connections that has developed and is implementing an asset management plan ~~has priority over a project submitted by a local government unit with more than 1,000 service connections that has not developed or is not implementing an asset management plan.~~ plan.
- (7) Capital improvement plan. – A project that implements the applicant's capital improvement plan for the wastewater system or public water system ~~it manages has priority over a project that does not implement a capital improvement plan. To receive priority, a~~ manages; so long as the capital improvement plan must sets out the applicant's expected water infrastructure needs for at least 10 years.
- (8) Coastal habitat protection. – A project that implements a recommendation of a Coastal Habitat Protection Plan adopted by the Environmental Management Commission, the Coastal Resources Commission, and the Marine Fisheries Commission pursuant to ~~G.S. 143B-279.8~~ has priority over other projects that affect counties subject to that Plan. G.S. 143B-279.8. If no part of the service area of a project is located within a county subject to that Plan, the project has equal priority under this subdivision with a project that receives priority under this subdivision.

- (9) ~~High unit cost threshold. — A high unit cost project has priority over projects that are not high unit cost projects. The priority given to a high unit cost project shall be set using a sliding scale based on the amount by which the applicant exceeds the high unit cost threshold.~~ Affordability. — The relative affordability of a project for a community compared to other communities in North Carolina.
- (10) Merger and Regionalization. — A project to provide for the planning of regional public water and wastewater systems, to provide for the orderly coordination of local actions relating to public water and wastewater systems, or to help realize economies of scale in regional public water and wastewater systems through consolidation, management, merger, or interconnection of public water and wastewater systems has priority. ~~systems.~~ If an applicant demonstrates that it is not feasible for the project to include regionalization, the funding agency shall assign the project the same priority under this subdivision as a project that includes regionalization.
- (11) State water supply plan. — A project that addresses a potential conflict between local plans or implements a measure in which local water supply plans could be better coordinated, as identified in the State water supply plan pursuant to ~~G.S. 143-355(m)~~, has priority. ~~G.S. 143-355(m).~~
- (12) Water conservation measures for drought. — A project that includes adoption of water conservation measures by a local government unit that are more stringent than the minimum water conservation measures required pursuant to ~~G.S. 143-355.2~~ has priority. ~~G.S. 143-355.2.~~
- (13) Low-income residents. — A project that is located in an area annexed by a municipality under Article 4A of Chapter 160A of the General Statutes in order to provide water or sewer services to low-income ~~residents~~ has priority. ~~For purposes of this section, low income residents are those with a family income that is eighty percent (80%) or less of median family income.~~ residents."

SECTION 14.13.(c1) G.S. 159G-31 reads as rewritten:

"§ 159G-31. Entities eligible to apply for loan or grant.

(a) A local government unit or a nonprofit water corporation is eligible to apply for a loan or grant from the CWSRF, the DWSRF, the Wastewater Reserve, or the Drinking Water Reserve. An investor-owned drinking water corporation is also eligible to apply for a loan or grant from the DWSRF. Other entities are not eligible for a loan or grant from these accounts.

(b) Entities eligible in subsection (a) of this section for grants from the Wastewater Reserve and the Drinking Water Reserve may be limited, based on affordability, to a portion of the total construction costs for the project types defined in G.S. 159G-33(a)(2) and G.S. 159G-34(a)(2).

(c) To the extent that funds are available, loans shall be considered for the portion of construction costs not eligible for grant funding."

SECTION 14.13.(d) G.S. 159G-33(a)(4) is recodified as G.S. 159G-33(a)(5).

SECTION 14.13.(e) G.S. 159G-33(a), as amended by subsection (d) of this section, reads as rewritten:

"(a) Types. — The Department is authorized to make the types of loans and grants listed in this subsection from the Wastewater Reserve. Each type of loan or grant must be administered through a separate account within the Wastewater Reserve.

(1) ~~General.—Loan.~~ Loan. — A loan ~~or grant~~ is available for a project authorized in G.S. 159G-32(b).

(2) ~~High unit cost~~ Project grant. — A ~~high unit cost project~~ grant is available for a portion of the ~~portion of the~~ construction costs of a wastewater collection

1 system project or project, a wastewater treatment works project that results in
2 an estimated average household user fee for water and sewer service in the
3 area served by the project that exceeds the high unit cost threshold project,
4 or a stormwater quality project as authorized in G.S. 159G-32(b).

- 5 (3) ~~Technical assistance~~ Merger/regionalization feasibility grant. – A ~~technical~~
6 ~~assistance~~ merger/regionalization feasibility grant is available to determine
7 the best way to correct the deficiencies in a wastewater collection system or
8 wastewater treatment works that either is not in compliance with its permit
9 limits or, as identified in the most recent inspection report by the Department
10 under G.S. 143-215.3, is experiencing operational problems and is at risk of
11 violating its permit limits. feasibility of consolidating the management of
12 multiple utilities into a single utility operation or to provide regional
13 treatment and the best way of carrying out the consolidation or
14 regionalization. The Department shall not make a loan or grant under this
15 subdivision for a merger or regionalization proposal that would result in a
16 new surface water transfer regulated under G.S. 143-215.22L.

- 17 (4) Asset inventory and assessment grant. – An asset inventory and assessment
18 grant is available to inventory the existing water and/or sewer system and
19 document the condition of the inventoried infrastructure.

- 20 (5) Emergency loan. – An emergency loan is available in the event the Secretary
21 certifies that a serious public health hazard related to the inadequacy of an
22 existing wastewater collection system or wastewater treatment works is
23 present or imminent in a community."

24 **SECTION 14.13.(f)** G.S. 159G-34(a)(4) is recodified as G.S. 159G-34(a)(5).

25 **SECTION 14.13.(g)** G.S. 159G-34(a), as amended by subsection (f) of this section,
26 reads as rewritten:

27 "(a) Types. – The Department is authorized to make the types of loans and grants listed
28 in this section from the Drinking Water Reserve. Each type of loan or grant must be
29 administered through a separate account within the Drinking Water Reserve.

- 30 (1) ~~General.~~ Loan. – A loan or grant is available for a project for a public
31 water system.

- 32 (2) ~~High unit cost~~ Project grant. – A project grant is available for the a portion of
33 the construction costs of a public water system project that results in an
34 estimated average household user fee for water and sewer service in the area
35 served by the project that exceeds the high unit cost threshold as defined in
36 G.S. 159G-32(c).

- 37 (3) ~~Technical assistance~~ Merger/regionalization feasibility grant. – A ~~technical~~
38 ~~assistance~~ merger/regionalization grant is available to determine the best way
39 to correct the deficiencies in a public water system that does not comply
40 with State law or the rules adopted to implement that law. feasibility of
41 consolidating the management of multiple utilities into a single utility
42 operation or to provide regional water supply and the best way of carrying
43 out the consolidation or regionalization. The Department shall not make a
44 loan or grant under this subdivision for a merger or regionalization proposal
45 that would result in a new surface water transfer regulated under
46 G.S. 143-215.22L.

- 47 (4) Asset inventory and assessment grant. – An asset inventory and assessment
48 grant is available to inventory the existing water and/or sewer system and
49 document the condition of the inventoried infrastructure.

- 50 (5) Emergency loan. – An emergency loan is available to an applicant in the
51 event the Secretary certifies that either a serious public health hazard or a

drought emergency related to the water supply system is present or imminent in a community."

SECTION 14.13.(h) G.S. 159G-35 reads as rewritten:

"§ 159G-35. Criteria for loans and grants.

(a) CWSRF and DWSRF. – Federal law determines the criteria for awarding a loan or grant from the CWSRF or the DWSRF. An award of a loan or grant from one of these accounts must meet the criteria set under federal law. The Department is directed to establish through negotiation with the United States Environmental Protection Agency the criteria for evaluating applications for loans and grants from the CWSRF and the DWSRF and the priority assigned to the criteria. The Department must incorporate the negotiated criteria and priorities in the Capitalization Grant Operating Agreement between the Department and the United States Environmental Protection Agency. The criteria and priorities incorporated in the Agreement apply to a loan or grant from the CWSRF or the DWSRF. The ~~common-criteria~~priority considerations in G.S. 159G-23 do not apply to a loan or grant from the CWSRF or the DWSRF.

(b) Reserves. – The ~~common-criteria~~priority considerations in G.S. 159G-23 apply to a loan or grant from the Wastewater Reserve or the Drinking Water Reserve. The Department may establish by rule other criteria that apply to a loan or grant from the Wastewater Reserve or the Drinking Water Reserve."

SECTION 14.13.(i) G.S. 159G-36(c) reads as rewritten:

"(c) Reserve Recipient Limit. – The following limits apply to ~~a~~the loan or grant ~~types~~ made from the Wastewater Reserve or the Drinking Water Reserve to the same local government unit or nonprofit water corporation:

- (1) The amount of loans awarded for a fiscal year may not exceed three million dollars (\$3,000,000).
- (2) The amount of loans awarded for three consecutive fiscal years for targeted interest rate projects may not exceed three million dollars (\$3,000,000).
- (3) The amount of ~~high-unit-cost~~project grants awarded for three consecutive fiscal years may not exceed three million dollars (\$3,000,000).
- (4) The amount of ~~technical-assistance~~emerging/regionalization feasibility grants awarded for three consecutive fiscal years may not exceed fifty thousand dollars (\$50,000).
- (5) The amount of asset inventory and assessment grants awarded for three consecutive fiscal years may not exceed one hundred fifty thousand dollars (\$150,000)."

SECTION 14.13.(j) The Division of Water Infrastructure of the Department of Environment and Natural Resources shall report to the Environmental Review Commission and the Fiscal Research Division regarding its implementation of the relative affordability of projects criteria for grants from the Wastewater Reserve or Drinking Water Reserve set forth in G.S. 159G-23(9), as amended by subsection (c) of this section, within 30 days of the adoption of the affordability criteria.

WATER INFRASTRUCTURE STATE MATCH SURPLUS FUNDS

SECTION 14.14. Notwithstanding G.S. 159G-22, funds appropriated in this act to the Division of Water Infrastructure for the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund to provide State matching funds that are in excess of the amount required to draw down the maximum amount of federal capitalization grant funds may be used for State water and wastewater infrastructure grants awarded from the Wastewater Reserve and the Drinking Water Reserve that benefit rural and economically distressed areas of the State.

COAL ASH MANAGEMENT FUNDS

SECTION 14.15. Notwithstanding G.S. 62-302.1(d), of the funds remaining in the Coal Combustion Residuals Fund at the end of fiscal year 2014-2015, the sum of three hundred ninety-seven thousand dollars (\$397,000) of the cash balance remaining on June 30, 2015, shall be made available to reimburse the Department of Environment and Natural Resources on a quarterly basis in fiscal year 2015-2016 to carry out the duties in Part 21 of Article 9 of Chapter 130A of the General Statutes. The first quarter distribution shall be made no later than August 1, 2015, and every three months thereafter. These funds are in addition to the one million seven hundred fifty thousand dollars (\$1,750,000) appropriation to the Department from the Coal Combustion Residuals Fund.

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES/CLOSE CERTAIN SPECIAL FUNDS

SECTION 14.16.(a) The Office of State Budget and Management, in conjunction with the Office of the State Controller and the Department of Environment and Natural Resources, shall transfer the unencumbered cash balances in the following funds as of June 30, 2015, to the General Fund and then close each of these special funds:

- (1) Mining Fees (Special Fund Code 24300-2745).
- (2) Mining Interest (Special Fund Code 24300-2610).
- (3) Storm Water Permits (Special Fund Code 24300-2750).
- (4) UST Soil Permitting (Special Fund Code 24300-2391).

SECTION 14.16.(b) G.S. 74-54.1(b) reads as rewritten:

"(b) ~~The Mining Account is established as a nonreverting account within the Department.~~ Fees collected under this section shall be credited to the Mining Account-General Fund and shall be applied to the costs of administering this Article."

SECTION 14.16.(c) G.S. 130A-309.17(i) is repealed.

SECTION 14.16.(d) G.S. 143-215.3A(a) reads as rewritten:

"(a) The Water and Air Quality Account is established as an account within the Department. Revenue in the Account shall be applied to the costs of administering the programs for which the fees were collected. Revenue credited to the Account pursuant to G.S. 105-449.43, G.S. 105-449.125, and G.S. 105-449.136 shall be used to administer the air quality program. Any funds credited to the Account from fees collected for laboratory facility certifications under G.S. 143-215.3(a)(10) that are not expended at the end of each fiscal year for the purposes for which these fees may be used under G.S. 143-215.3(a)(10) shall revert. Any other funds credited to the Account that are not expended at the end of each fiscal year shall not revert. Except for the following fees, all application fees and permit administration fees collected by the State for permits issued under Articles 21, 21A, 21B, and 38 of this Chapter shall be credited to the Account:

- (1) Fees collected under Part 2 of Article 21A and credited to the Oil or Other Hazardous Substances Pollution Protection Fund.
- (2) Fees credited to the Title V Account.
- (3) Repealed by Session Laws 2005-454, s. 7, effective January 1, 2006.
- (4) Fees collected under G.S. 143-215.28A.
- (5) Fees collected under G.S. 143-215.94C shall be credited to the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund.
- (6) Fees collected under G.S. 143-215.3D for the following permits and certificates shall be credited to the General Fund for use by the Department to administer the program for which the fees were collected:

- a. Stormwater permits and certificates of general permit coverage authorized under G.S. 143-214.7.

b. Permits to apply petroleum contaminated soil to land authorized under G.S. 143-215.1."

SECTION 14.16.(e) The transfers in subsection (a) of this section are to offset reductions in General Fund appropriations to the Department of Environment and Natural Resources for the 2015-2016 fiscal year. Fee receipts previously deposited to the funds listed in subsection (a) shall be budgeted to support the programs and functions previously supported by those funds.

PART XV. DEPARTMENT OF COMMERCE

EDPNC STATE BUDGET ACT EXEMPTION

SECTION 15.1. G.S. 143B-431.01(b) reads as rewritten:

"(b) Contract. – The Department of Commerce is authorized to contract with a North Carolina nonprofit corporation to perform one or more of the Department's functions, powers, duties, and obligations set forth in G.S. 143B-431, except as provided in this subsection. The contract entered into pursuant to this section between the Department and the Economic Development Partnership of North Carolina is exempt from Articles 3 and 3C of Chapter 143 of the General Statutes. ~~Statutes and~~ G.S. 143C-6-23. If the Department contracts with a North Carolina nonprofit corporation to promote and grow the travel and tourism industries, then all funds appropriated to the Department for tourism marketing purposes shall be used for a research-based, comprehensive marketing program directed toward consumers in key markets most likely to travel to North Carolina and not for ancillary activities, such as statewide branding and business development marketing. The Department may not contract with a North Carolina nonprofit corporation regarding any of the following:

- (1) The obligation or commitment of funds under this Article, such as the One North Carolina Fund, the Job Development Investment Grant Program, the Industrial Development Fund, or the Job Maintenance and Capital Development Fund.
- (2) The Division of Employment Security, including the administration of unemployment insurance.
- (3) The functions set forth in G.S. 143B-431(a)(2).
- (4) The administration of funds or grants received from the federal government or its agencies."

COMMERCE & DENR STUDY COASTAL RESTORATION AS AN ECONOMIC DEVELOPMENT STRATEGY

SECTION 15.2.(a) The Department of Commerce shall study how coastal restoration, including wetland restoration, oyster bed restoration, living shorelines, and stormwater retrofit efforts, contribute to the coastal economy and, if and how, coastal restoration is consistent with State, regional, and rural economic development policies. The Department shall consult with other State agencies and private organizations in conducting this study. The Department shall report its findings, including any proposed revisions and implementations of these policies, to the Environmental Review Commission by March 1, 2016.

SECTION 15.2.(b) The Departments of Commerce and Environment and Natural Resources shall work with the United States Department of Agriculture, Natural Resources Conservation Service, as well as for-profit and nonprofit organizations, to develop recommendations to identify and fully capitalize on the conservation programs funded through the federal Farm Bill, including the potential to help pay for oyster restoration, wildlife enhancement, and wetland restoration with federal dollars. The Departments shall also determine how the State of North Carolina compares to other states in accessing federal

restoration funding. The Departments shall report their findings and recommendations to the Environmental Review Commission by March 1, 2016.

SECTION 15.2.(c) The Department of Environment and Natural Resources shall identify regulatory reform opportunities for the construction of voluntary natural resource restoration and enhancement projects and shall develop proposals that reduce the cost of and approval time for projects that restore oysters, wetlands, coastal shorelines, and other natural resources. The Department shall consider all of the following: (i) opportunities to streamline the permitting of voluntary natural resource restoration and enhancement projects; (ii) opportunities to reduce permitting fees for voluntary natural resource restoration and enhancement projects; (iii) providing for flexibility in applying environmental standards to restoration and enhancement projects with long-term environmental and natural resource benefits; (iv) allowing de minimis environmental impacts during construction of restoration or enhancement projects in the interest of long-term environmental and natural resource benefits, consistent with State and federal law; and (v) opportunities to focus existing Department resources on restoration and enhancement of natural resources. The Department shall submit its findings and recommendations to the Environmental Review Commission by March 1, 2016.

COMMERCE STUDY TIME SPENT ADMINISTERING PROGRAMS SUPPORTED BY FEDERAL FUNDS

SECTION 15.3.(a) The Department of Commerce shall study the amount of time all persons in General Fund-supported positions spend performing duties related to the operation and administration of programs that receive federal funds, including the Division of Employment Security and the Division of Workforce Solutions, to determine whether some or all of the costs related to the performance of these duties should be supported by federal indirect cost receipts and, therefore, should be paid for with federal funds instead of General Fund appropriations.

SECTION 15.3.(b) No later than March 1, 2016, the Department of Commerce shall report the findings of the study required under subsection (a) of this section to the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources, the Senate Appropriations Committee on Natural and Economic Resources, and the Fiscal Research Division.

DEPARTMENT OF COMMERCE/CONFORMING STATUTORY CHANGES

SECTION 15.4.(a) G.S. 20-81.12 reads as rewritten:

"§ 20-81.12. Collegiate insignia plates and certain other special plates.

...

(b124) Travel and Tourism. – The Division must receive 300 or more applications for the "Travel and Tourism" plate before the plate may be developed. The Division shall transfer quarterly the money in the Collegiate and Cultural Attraction Plate Account derived from the sale of "Travel and Tourism" plates to the ~~Division of Tourism, Film, and Sports Development~~ Department of Commerce to be used for programs in support of travel and tourism in North Carolina.

...."

SECTION 15.4.(b) G.S. 143B-434.2 reads as rewritten:

"§ 143B-434.2. Travel and Tourism Policy Act.

...

(d) The Department of Commerce, and the ~~Division of Tourism, Film, and Sports Development~~ within that Department, nonprofit corporation with whom the Department contracts pursuant to G.S. 143B-431.01(b) to promote and market tourism, shall implement the policies set forth in this section. The ~~Division of Tourism, Film, and Sports Development~~ nonprofit corporation shall make an annual report to the General Assembly

1 regarding the status of the travel and tourism industry in North Carolina; the report shall be
2 submitted to the General Assembly by October 15 of each year beginning ~~October 15,~~
3 ~~2011.~~October 15, 2015. The duties and responsibilities of the ~~Department of Commerce~~
4 ~~through the Division of Tourism, Film, and Sports Development~~ nonprofit corporation shall be
5 to:

- 6 (1) Organize and coordinate programs designed to promote tourism within the
7 State and to the State from other states and foreign countries.
- 8 (2) Measure and forecast tourist volume, receipts, and impact, both social and
9 economic.
- 10 (3) Develop a comprehensive plan to promote tourism to the State.
- 11 (4) Encourage the development of the State's tourism infrastructure, facilities,
12 services, and attractions.
- 13 (5) Cooperate with neighboring states and the federal government to promote
14 tourism to the State from other countries.
- 15 (6) Develop opportunities for professional education and training in the tourism
16 industry.
- 17 (7) Provide advice and technical assistance to local public and private tourism
18 organizations in promoting tourism to the State.
- 19 (8) Encourage cooperation between State agencies and private individuals and
20 organizations to advance the State's tourist interests and seek the views of
21 these agencies and the private sector in the development of State tourism
22 programs and policies.
- 23 (9) Give leadership to all concerned with tourism in the State.
- 24 (10) Perform other functions necessary to the orderly growth and development of
25 tourism.
- 26 (11) Develop informational materials for visitors which, among other things,
27 shall:
 - 28 a. Describe the State's travel and tourism resources and the State's
29 history, economy, political institutions, cultural resources, outdoor
30 recreational facilities, and principal festivals.
 - 31 b. Urge visitors to protect endangered species, natural resources,
32 archaeological artifacts, and cultural treasures.
 - 33 c. Instill the ethic of stewardship of the State's natural resources.
- 34 (12) Foster an understanding among State residents and civil servants of the
35 economic importance of hospitality and tourism to the State.
- 36 (13) Work with local businesses, including banks and hotels, with educational
37 institutions, and with the United States Travel and Tourism Administration,
38 to provide special services for international visitors, such as currency
39 exchange facilities.
- 40 (14) Encourage the reduction of architectural and other barriers which impede
41 travel by physically handicapped persons."

42 **SECTION 15.4.(c)** G.S. 143B-472.35 reads as rewritten:

43 **"§ 143B-472.35. Establishment of fund; use of funds; application for grants; disbursal;**
44 **repayment; inspections; rules; reports.**

45 ...

46 (a2) Definitions. – For purposes of this section, the following definitions shall apply:

47 ...

- 48 (9) Main Street Center. – The agency within the North Carolina Department of
49 ~~Commerce, Office of Urban Development, Commerce~~ which receives
50 applications and makes decisions with respect to Main Street Solutions Fund
51 grant applications from eligible local governments.

...."

SECTION 15.4.(d) The Department of Commerce shall, in accordance with Article 2A of Chapter 150B of the General Statutes, amend its rules to reflect the division name changes provided for in this act.

SECTION 15.4.(e) The Revisor of Statutes may conform names and titles changed by this section, and may correct statutory references as required by this section, throughout the General Statutes. In making the changes authorized by this section, the Revisor may also adjust subject and verb agreement and the placement of conjunctions.

NER BLOCK GRANTS/2016 AND 2017 PROGRAM YEARS

SECTION 15.5.(a) Appropriations from federal block grant funds are made for the fiscal years ending June 30, 2016, and June 30, 2017, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01. State Administration	\$ 1,037,500
02. Economic Development	15,737,500
03. Infrastructure	26,725,000

TOTAL COMMUNITY DEVELOPMENT

BLOCK GRANT – 2016 Program Year	\$ 43,500,000
2017 Program Year	\$ 43,500,000

SECTION 15.5.(b) Decreases in Federal Fund Availability. – If federal funds are reduced below the amounts specified in this section after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

SECTION 15.5.(c) Increases in Federal Fund Availability. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

SECTION 15.5.(d) Limitations on Community Development Block Grant Funds. – Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: up to one million thirty-seven thousand five hundred dollars (\$1,037,500) may be used for State Administration; up to fifteen million seven hundred thirty-seven thousand five hundred dollars (\$15,737,500) may be used for Economic Development; and up to twenty-six million seven hundred twenty-five thousand dollars (\$26,725,000) may be used for Infrastructure. If federal block grant funds are reduced or increased by the Congress of the United States after the effective date of this act, then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

SECTION 15.5.(e) The Department of Commerce shall consult with the Joint Legislative Commission on Governmental Operations prior to reallocating Community Development Block Grant Funds. Notwithstanding the provisions of this subsection, whenever the Director of the Budget finds that:

- (1) A reallocation is required because of an emergency that poses an imminent threat to public health or public safety, the Director of the Budget may authorize the reallocation without consulting the Commission. The Department of Commerce shall report to the Commission on the reallocation no later than 30 days after it was authorized and shall identify in the report

the emergency, the type of action taken, and how it was related to the emergency.

- (2) The State will lose federal block grant funds or receive less federal block grant funds in the next fiscal year unless a reallocation is made. The Department of Commerce shall provide a written report to the Commission on the proposed reallocation and shall identify the reason that failure to take action will result in the loss of federal funds. If the Commission does not hear the issue within 30 days of receipt of the report, the Department may take the action without consulting the Commission.

SECTION 15.5.(f) By September 1, 2015, and September 1, 2016, the Department of Commerce shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the use of Community Development Block Grant Funds appropriated in the prior fiscal year. The report shall include the following:

- (1) A discussion of each of the categories of funding and how the categories were selected, including information on how a determination was made that there was a statewide need in each of the categories.
- (2) Information on the number of applications that were received in each category and the total dollar amount requested in each category.
- (3) A list of grantees, including the grantee's name, county, category under which the grant was funded, the amount awarded, and a narrative description of the project.

SECTION 15.5.(g) For purposes of this section, eligible activities under the category of Infrastructure in subsection (a) of this section shall be defined as provided in the HUD State Administered Community Development Block Grant definition of the term "infrastructure". Notwithstanding the provisions of subsection (e) of this section, funds allocated to the Infrastructure category in subsection (a) of this section shall not be reallocated to any other category.

USE OF DEOBLIGATED COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS AND SURPLUS FEDERAL ADMINISTRATIVE FUNDS

SECTION 15.6.(a) Throughout each year, deobligated funds arise in the various funding categories and program years of the Community Development Block Grant (CDBG) program as a result of (i) projects coming in under budget, (ii) projects being cancelled, or (iii) projects being required to repay funds. Surplus federal administrative funds in the CDBG program may vary from year-to-year based upon the amount of State-appropriated funds allocated and the amount of eligible in-kind funds identified.

SECTION 15.6.(b) To allow the Department of Commerce and the Department of Environment and Natural Resources to quickly deploy deobligated and surplus federal administrative funds as they are identified throughout the program year, the following shall apply to the use of deobligated CDBG funds and surplus federal administrative funds:

- (1) All surplus federal administrative funds shall be divided equally between the Departments of Commerce and Environment and Natural Resources and shall be used as provided in subdivisions (2) and (3) of this subsection.
- (2) All deobligated funds allocated to the Department of Commerce and any surplus federal administrative funds, as provided for in subdivision (1) of this subsection, may be used by the Department for all of the following:
- a. To issue grants in the CDBG economic development program category.
- b. For providing training and guidance to local governments relative to the CDBG program, its management, and administrative requirements.

- 1 c. For any other purpose consistent with the Department's
2 administration of the CDBG program if an equal amount of State
3 matching funds is available.
- 4 (3) All deobligated funds allocated to the Department of Environment and
5 Natural Resources and any surplus federal administrative funds, as provided
6 for in subdivision (1) of this subsection, may be used by the Department for
7 all of the following:
- 8 a. To issue grants in the CDBG infrastructure program category.
9 b. For any other purpose consistent with the Department's
10 administration of the CDBG program if an equal amount of State
11 matching funds is available.

12
13 **UNDERSERVED AND LIMITED RESOURCE COMMUNITIES/ECONOMIC**
14 **DEVELOPMENT GRANTS**

15 **SECTION 15.7.** Article 10 of Chapter 143B of the General Statutes is amended by
16 adding a new Part to read as follows:

17 "PART 23.

18 "Underserved and Limited Resource Communities.

19 "§ 143B-472.135. Competitive Grant Program.

20 (a) The Department of Commerce shall establish an Economic Development
21 Competitive Grant Program for Underserved and Limited Resource Communities. The purpose
22 of the Program is to provide grants to local governments and nonprofit organizations to
23 encourage the development of economic development activities, services, and projects that
24 benefit underserved populations and limited resource communities across the State.

25 (b) The Department shall develop guidelines and procedures for the administration and
26 distribution of funds allocated to the Economic Development Competitive Grant Program for
27 Underserved and Limited Resource Communities that include, at a minimum, the following:

- 28 (1) Eligible organizations shall be nonprofit organizations and local
29 governments that target underserved populations or limited resource
30 communities.
- 31 (2) Eligible organizations shall make their application in accordance with
32 procedures established by the Department.
- 33 (3) Eligible organizations shall not use funds allocated in this section for renting
34 or purchasing land or buildings or for financing debt.
- 35 (4) Priority shall be given to eligible organizations that demonstrate established
36 community partnerships and business involvement.
- 37 (5) Priority shall be given to eligible organizations that match funds or have at
38 least one other significant source of funding.
- 39 (6) Priority shall be given to eligible organizations that prioritize independent
40 fund-raising to achieve financial sustainability apart from State-funded
41 appropriations.

42 (c) By September 1 of each year, the Department shall submit a report on the following
43 prior fiscal year activities to the Chairs of the House of Representatives Appropriations
44 Committee on Agriculture and Natural and Economic Resources and the Senate Appropriations
45 Committee on Natural and Economic Resources and the Fiscal Research Division:

- 46 (1) The number of grants awarded.
- 47 (2) The name of each grantee, and the city and county in which the grantee is
48 located.
- 49 (3) A description of the economic development activity, service, or project
50 undertaken by the grantee.

- (4) The names of the community partners or businesses involved in the economic development activity, service, or project, and a description of the ways in which the partners or businesses contributed to the activity, service, or project.
- (5) The amount of matching funds or other significant source of funding provided by the grantee."

FUNDS TO CERTAIN COUNTIES FOR APPALACHIAN REGIONAL COMMISSION MATCH

SECTION 15.8.(a) Of the funds appropriated in this act to the Department of Commerce for the Rural Grant Program Expansion for the 2015-2016 fiscal year, the sum of two hundred fifty-three thousand nine hundred fifty-six dollars (\$253,956) in nonrecurring funds shall be allocated to the following counties to be used for the Appalachian Regional Commission match requirement:

(1)	Cherokee	\$63,606
(2)	Graham	103,450
(3)	Rutherford	43,450
(4)	Swain	43,450.

SECTION 15.8.(b) The match funds provided for in subsection (a) of this section shall be used for infrastructure projects only.

LABOR AND ECONOMIC ANALYSIS DIVISION/VACANT POSITIONS TO BE RECEIPT-SUPPORTED

SECTION 15.9.(a) Beginning July 1, 2015, the following vacant positions in the Department of Commerce, Labor and Economic Analysis Division, which are partially supported by General Fund appropriations and partially funded by receipts, shall become fully receipt-supported:

60080027 – Administrative Assistant I
60080007 – Bus. & Tech. Applic. Analyst
60080008 – Bus. & Tech. Applic. Analyst
60079991 – Bus. & Tech. Applic. Specialist
60081028 – Bus. & Tech. Applic. Specialist
60080988 – Economist
60079956 – Office Assistant IV
60079968 – Outreach and Training Manager
60081029 – Policy Analyst
60081194 – Policy Analyst
60079989 – Social/Clinical Research Assistant
60079953 – Social/Clinical Research Specialist
60079960 – Social/Clinical Research Specialist
60079975 – Social/Clinical Research Specialist
60079978 – Social/Clinical Research Specialist
60079967 – Social/Clinical Research Manager
60079951 – Social/Clinical Research Executive.

SECTION 15.9.(b) The Secretary of the Department of Commerce shall reconfigure the vacant positions described in subsection (a) of this section, as needed, to ensure that the positions are fully receipt-supported.

MODIFY ECONOMIC DEVELOPMENT GRANT REPORT

SECTION 15.10.(a) G.S. 143B-437.07 reads as rewritten:
"§ 143B-437.07. Economic development grant reporting.

(a) Report. – The Department of Commerce must publish on or before October 1 of each year the information required by this subsection, itemized by business entity, for each business or joint private venture to which the State has, in whole or in part, granted one or more economic development incentives during the ~~previous fiscal year~~ relevant time period. The relevant time period ends June 30 preceding the publication date of this subsection and begins (i) for incentives not awarded under Part 2G of this Article with the 2007 calendar year and (ii) for incentives awarded under Part 2G of this Article with the 2002 calendar year. The information in the report must include all of the following:

...
(3) The name, mailing address, telephone number, and Web site of the business recipient, or recipients if a joint venture, and the physical location of the site receiving the incentive. If the physical location of the site is undecided, then the name of the county in which the site will be located. The information regarding the physical location must indicate whether the physical location is a new or expanded facility.

(3a) A determination of whether the award is to a business that is new to the State or an expansion of an existing business within the State.

...."

SECTION 15.10.(b) This section is effective for reports published for fiscal years beginning on or after July 1, 2015.

WORKFORCE DEVELOPMENT BOARDS/CHANGES TO CONFORM WITH FEDERAL LAW

SECTION 15.11.(a) G.S. 143B-438.10 reads as rewritten:

"§ 143B-438.10. ~~Commission on Workforce Development.~~ NCWorks Commission.

(a) Creation and Duties. – There is created within the Department of Commerce the ~~North Carolina Commission on Workforce Development.~~ NCWorks Commission (hereinafter "Commission"). The Commission shall have the following powers and duties:

...
(9) To serve as the State's Workforce Investment Board for purposes of the federal ~~Workforce Investment Act of 1998.~~ Workforce Innovation and Opportunity Act.

...
(13) To develop performance accountability measures for local workforce development boards consistent with the requirements of Section 116 of the Workforce Innovation and Opportunity Act and to recommend to the Governor sanctions against local workforce development boards that fail to meet the performance accountability measures.

(14) To develop fiscal control and fund accounting procedures for local workforce development boards consistent with the requirements of Section 184 of the Workforce Innovation and Opportunity Act and to recommend to the Governor sanctions against local workforce development boards that fail to meet the fiscal control and fund accounting procedures.

(b) ~~Membership; Terms.~~ Effective January 1, 2013, the Membership. – The ~~Commission on Workforce Development~~ shall consist of ~~25~~ 33 members appointed as follows:

(1) By virtue of their offices, the following ~~department and agency heads or their respective designees~~ persons, or their designees, shall serve on the Commission: ~~the~~

a. The Governor.

b. The Secretary of the Department of Administration, ~~the Administration.~~

- c. The Secretary of the Department of Commerce.
- d. The Secretary of the Department of Health and Human Services, the Services.
- e. The Superintendent of Public Instruction, the Instruction.
- f. The President of the Community Colleges System Office, the Commissioner of the Department of Labor, and the Secretary of the Department of Commerce Office.
- g. The President of The University of North Carolina System.

(2) The Pursuant to the provisions of Section 101 of the Workforce Innovation and Opportunity Act, the Governor shall appoint 19-26 members as follows:

- a. Two-Seventeen members representing public, postsecondary, and vocational education business and industry in the State.
- b. One member—Seven members representing community-based organizations the workforce in the State.
- c. Three members representing labor. One member representing local elected city officials in the State.
- d. Thirteen members representing business and industry. One member representing local elected county officials in the State.

(3) The terms of the members appointed by the Governor shall be for four years.

(b1) Terms. – The persons listed in subdivision (1) of subsection (b) of this section shall serve on the Commission while they hold their respective offices. The terms of the members appointed by the Governor pursuant to subdivision (2) of subsection (b) of this section shall be for four years, except as provided in this subsection. The terms shall be staggered and shall begin on August 1 and expire on July 31. Upon the expiration of the term of each member in subdivision (2) of subsection (b) of this section, the Governor shall fill the vacancy by reappointing the member or appointing another person of like qualification to serve a four-year term. If a vacancy occurs for any reason other than the expiration of the member's term, the Governor shall appoint a person of like qualification to serve for the remainder of the unexpired term.

In order to provide for staggered terms, six persons appointed to the positions designated in sub-subdivision a. of subdivision (2) of subsection (b) of this section and three persons appointed to the positions designated in sub-subdivision b. of subdivision (2) of subsection (b) of this section shall be appointed for initial terms ending on July 31, 2019. Five persons appointed to the positions designated in sub-subdivision a. of subdivision (2) of subsection (b) of this section, two persons appointed to the positions designated in sub-subdivision b. of subdivision (2) of subsection (b) of this section, and one person appointed to the position designated in sub-subdivision c. of subsection (2) of subsection (b) of this section shall be appointed for initial terms ending on July 31, 2017. Six persons appointed to the positions designated in sub-subdivision a. of subdivision (2) of subsection (b) of this section, two persons appointed to the positions designated in sub-subdivision b. of subdivision (2) of subsection (b) of this section, and one person appointed to the position designated in sub-subdivision d. of subdivision (2) of subsection (b) of this section shall be appointed for initial terms ending on July 31, 2016.

...."

SECTION 15.11.(b) The terms of office of the Commissioner of the Department of Labor and the 19 public members appointed by the Governor and currently serving on the North Carolina Commission on Workforce Development shall expire on July 31, 2015.

SECTION 15.11.(c) G.S. 143B-438.11 reads as rewritten:

"§ 143B-438.11. Local Workforce Development Boards.

(a) Duties. – Local Workforce Development Boards shall have the following powers and duties:

...
(7) To serve as the Workforce Investment Board for the designated substate area for the purpose of the federal Workforce ~~Investment Act of 1998~~ Innovation and Opportunity Act.

(7a) To designate through a competitive selection process, by no later than July 1, 2014, the providers of adult and dislocated worker services authorized in the Workforce ~~Investment Act of 1998~~ Innovation and Opportunity Act.

(8) To provide the appropriate guidance and information to Workforce ~~Investment~~ Innovation and Opportunity Act consumers to ensure that they are prepared and positioned to make informed choices in selecting a training provider. Each local Workforce Development Board shall ensure that consumer choice is properly maintained in the one-stop centers and that consumers are provided the full array of public and private training provider information.

...
(10) To comply with the performance accountability measures established by the NCWorks Commission pursuant to Section 116 of the Workforce Innovation and Opportunity Act.

(11) To comply with the fiscal control and fund accounting procedures established by the NCWorks Commission pursuant to Section 184 of the Workforce Innovation and Opportunity Act.

(b) Members. – Members of local Workforce Development Boards shall be appointed by local elected officials in accordance with criteria established by the Governor and with provisions of the federal Workforce ~~Investment~~ Innovation and Opportunity Act. The local Workforce Development Boards shall have a majority of business members and shall also include representation of workforce and education providers, labor organizations, community-based organizations, and economic development boards as determined by local elected officials. The Chairs of the local Workforce Development Boards shall be selected from among the business members.

(c) Assistance. – The ~~North Carolina Commission on Workforce Development~~ NCWorks Commission and the Department of Commerce shall provide programmatic, technical, and other assistance to any local Workforce Development Board that realigns its service area with the boundaries of a local regional council of governments established pursuant to G.S. 160A-470."

SECTION 15.11.(d) G.S. 96-32 reads as rewritten:

"§ 96-32. Common follow-up information management system created.

...
(d) The LEAD shall do the following:

(1) Collaborate with the ~~Commission on Workforce Development~~ NCWorks Commission to develop common performance measures across workforce programs in the Department of Commerce, the Department of Health and Human Services, the Community Colleges System Office, the Department of Administration, and the Department of Public Instruction that can be tracked through the CFS in order to assess and report on workforce development program performance.

...."

SECTION 15.11.(e) G.S. 143B-157 reads as rewritten:

"§ 143B-157. Commission for the Blind – creation, powers and duties.

There is recreated the Commission for the Blind of the Department of Health and Human Services with the power and duty to adopt rules governing the conduct of the State's

rehabilitative programs for the blind that are necessary to carry out the provisions and purposes of this Article.

...
(3e) The Commission shall coordinate with other councils within the State, including the statewide Independent Living Council established under section 705 of the federal Rehabilitation Act, 29 U.S.C. § 720, et seq., the advisory panel established under section 612(a)(21) of the Individuals with Disabilities Education Act, 20 U.S.C. § 1413(A)(12), the Council on Developmental Disabilities described in section 124 of the Developmental Disabilities Assistance and Bill of Rights Act, 42 U.S.C. § 6024, the State Mental Health Planning Council established pursuant to section 1916(e) of the Public Health Service Act, 42 U.S.C. § 300x-4(e), and the ~~Commission on Workforce Development~~; NCWorks Commission;

...."

SECTION 15.11.(f) G.S. 143B-158 reads as rewritten:

"§ 143B-158. Commission for the Blind.

(a) The Commission for the Blind of the Department of Health and Human Services shall consist of 19 members as follows:

...
(12) One representative of the ~~Commission on Workforce Development~~; NCWorks Commission.

...."

SECTION 15.11.(g) G.S. 143B-438.12 reads as rewritten:

"§ 143B-438.12. Federal Program Administration.

(a) Federal Workforce ~~Investment Innovation and Opportunity Act~~. – In accordance with the federal Workforce ~~Investment Innovation and Opportunity Act~~, the ~~Commission on Workforce Development~~ NCWorks Commission shall develop a ~~Five-Year Strategic Plan~~ Four-Year Unified State Plan to be submitted to the U.S. Secretary of Labor. The ~~Strategic Plan~~ Unified State Plan shall describe the ~~workforce development activities to be undertaken in the State to implement the federal Workforce Investment Act and how special populations shall be served~~; State's strategic vision and goals for preparing an educated and skilled workforce as required in Section 102 of the federal Workforce Innovation and Opportunity Act.

(b) Other Workforce Grant Applications. – The ~~Commission on Workforce Development~~ NCWorks Commission may submit grant applications for workforce development initiatives and may manage the initiatives and demonstration projects."

SECTION 15.11.(h) G.S. 143B-438.13 reads as rewritten:

"§ 143B-438.13. Employment and Training Grant Program.

(a) Employment and Training Grant Program. – There is established in the Department of Commerce, Division of ~~Employment and Training~~, Workforce Solutions, an Employment and Training Grant Program. Grant funds shall be allocated to local Workforce Development Boards for the purposes of enabling recipient agencies to implement local employment and training programs in accordance with existing resources, local needs, local goals, and selected training occupations. The State program of workforce performance standards shall be used to measure grant program outcomes.

(b) Use of Grant Funds. – Local agencies may use funds received under this section for the purpose of providing services, such as training, education, placement, and supportive services. Local agencies may use grant funds to provide services only to individuals who are (i) 18 years of age or older and meet the federal Workforce ~~Investment Act~~, Innovation and Opportunity Act, title I adult eligibility definitions, or meet the federal Workforce ~~Investment Innovation and Opportunity Act~~, title I dislocated worker eligibility definitions, or (ii)

1 incumbent workers with annual family incomes at or below two hundred percent (200%) of
2 poverty guidelines established by the federal Department of Health and Human Services.

3 (c) Allocation of Grants. – The Department of Commerce may reserve and allocate up
4 to ten percent (10%) of the funds available to the Employment and Training Grant Program for
5 State and local administrative costs to implement the Program. The Division of ~~Employment~~
6 ~~and Training~~ Workforce Solutions shall allocate employment and training grant funds to local
7 Workforce Development Boards serving federal Workforce ~~Investment–Innovation and~~
8 Opportunity Act local workforce ~~investment–development~~ areas based on the following
9 formula:

10 (1) One-half of the funds shall be allocated on the basis of the relative share of
11 the local workforce ~~investment–development~~ area's share of federal
12 Workforce ~~Investment–Innovation and Opportunity Act~~, title I adult funds as
13 compared to the total of all local areas adult shares under the federal
14 Workforce ~~Investment–Innovation and Opportunity Act~~, title I.

15 (2) One-half of the funds shall be allocated on the basis of the relative share of
16 the local workforce ~~investment–development~~ area's share of federal
17 Workforce ~~Investment–Innovation and Opportunity Act~~, title I dislocated
18 worker funds as compared to the total of all local areas dislocated worker
19 shares under the federal Workforce ~~Investment–Innovation and Opportunity~~
20 Act, title I.

21 (3) Local workforce ~~investment–development~~ area adult and dislocated shares
22 shall be calculated using the current year's allocations to local areas under
23 the federal Workforce ~~Investment–Innovation and Opportunity Act~~, title I.

24 (d) Repealed by Session Laws 2009-451, s. 14.5(d), effective July 1, 2009.

25 (e) Nonreverting Funds. – Funds appropriated to the Department of Commerce for the
26 Employment and Training Grant Program that are not expended at the end of the fiscal year
27 shall not revert to the General Fund, but shall remain available to the Department for the
28 purposes established in this section."

29 **SECTION 15.11.(i)** G.S. 143B-438.14 reads as rewritten:

30 **"§ 143B-438.14. "No Adult Left Behind" Initiative.**

31 (a) ~~The Commission on Workforce Development, NCWorks Commission~~, acting as the
32 lead agency, with the cooperation of other participating agencies, including the Department of
33 Labor, the Department of Commerce, the Employment Security Commission, the North
34 Carolina Community College System, The University of North Carolina, and the North
35 Carolina Independent Colleges and Universities shall initiate the "No Adult Left Behind"
36 Initiative (Initiative) geared toward achievement of major statewide workforce development
37 goals. The Initiative may also include community-based nonprofit organizations that provide
38 services or assistance in the areas of worker training, workforce development, and transitioning
39 North Carolinians between industries in the current global labor market.

40 (b) The first goal of the Initiative is to increase dramatically to forty percent (40%) the
41 percentage of North Carolinians who earn associate degrees, other two-year educational
42 credentials, and baccalaureate degrees. Specific fields of study may be selected for the most
43 intense efforts. ~~The Commission on Workforce Development NCWorks Commission~~ shall, as
44 the lead agency along with the North Carolina Community College System and The University
45 of North Carolina as key cooperating institutions, do all of the following:

46 ...

47 (c) ~~The Commission on Workforce Development NCWorks Commission~~ and the other
48 lead participating institutions may enter into contracts with other qualified organizations,
49 especially community-based nonprofits, to carry out components of the Initiative set forth in
50 subsection (b) of this section.

(d) ~~The Commission on Workforce Development~~ NCWorks Commission shall submit to the Governor and to the General Assembly by May 1, 2012, and annually thereafter, details of its implementation of this section that shall include at least the following:

...."

SECTION 15.11.(j) The Revisor of Statutes may conform names and titles changed by this section, and may correct statutory references as required by this section, throughout the General Statutes. In making the changes authorized by this section, the Revisor may also adjust subject and verb agreement and the placement of conjunctions.

**REPEAL STATUTES AUTHORIZING TRADE JOBS FOR SUCCESS/INITIATIVE
ENDED JUNE 30, 2013**

SECTION 15.12. Part 3C of Article 10 of Chapter 143B of the General Statutes is repealed.

REPEAL APPRENTICESHIP FEE

SECTION 15.13. G.S. 94-12 is repealed.

INDUSTRIAL COMMISSION/USE OF IT FUNDS

SECTION 15.14. In each year of the 2015-2017 fiscal biennium, the Industrial Commission, in consultation with the State Chief Information Officer, may use available funds in Budget Code 24611 (Fund 2200) to maintain its Consolidated Case Management System, including, but not limited to, covering the costs of related service contracts and information technology personnel.

**UTILITIES COMMISSION/PUBLIC STAFF REALIGN CERTIFIED BUDGET WITH
ANTICIPATED AGENCY REQUIREMENTS**

SECTION 15.15.(a) No later than November 1, 2015, the Utilities Commission and Public Staff, in conjunction with the Department of Commerce and the Office of State Budget and Management, shall realign the certified budget for the following funds for each year of the 2015-2017 fiscal biennium to reflect the anticipated spending requirements for the Utilities Commission and Public Staff for each year of the 2015-2017 biennium:

Budget Code	Fund	Description
54600	5211	Utilities – Commission Staff
54600	5217	Utilities – Gas Pipelines
54600	5218	PUC Capacity Grant – ARRA
54600	5221	Utilities – Public Staff
64605	6431	Utility and Public Staff.

SECTION 15.15.(b) In realigning the certified budget for the funds described in subsection (a) of this section, the Utilities Commission and Public Staff shall prioritize eliminating unnecessary vacant positions and making line-item modifications that reflect anticipated agency requirements. The Utilities Commission and Public Staff shall not expend any funds unless they are appropriated in this act for fiscal year 2015-2016 and fiscal year 2016-2017.

SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 15.16.(a) G.S. 62-302(a) reads as rewritten:

"(a) Fee Imposed. – It is the policy of the State of North Carolina to provide fair regulation of public utilities in the interest of the public, as provided in G.S. 62-2. The cost of regulating public utilities is a burden incident to the privilege of operating as a public utility. Therefore, for the purpose of defraying the cost of regulating public utilities, every public utility subject to the jurisdiction of the Commission shall pay a quarterly regulatory fee, in

addition to all other fees and taxes, as provided in this section. The fees collected shall be used only to pay the expenses of the Commission and the Public Staff in regulating public utilities in the interest of the public and to maintain a reasonable margin for a reserve fund. The amount of the reserve may not exceed one-half of the cost of operating the Commission and the Public Staff as reflected in the certified budget for the previous fiscal year.

It is also the policy of the State to provide limited oversight of certain electric membership corporations as provided in G.S. 62-53. Therefore, for the purpose of defraying the cost of providing the oversight authorized by G.S. 62-53 and G.S. 117-18.1, each fiscal year each electric membership corporation whose principal purpose is to furnish or cause to be furnished bulk electric supplies at wholesale as provided in G.S. 117-16 shall pay an annual fee as provided in this section."

SECTION 15.16.(b) Subdivisions 14.19(e1)(4), (5), (6), and (10) of S.L. 2009-451 are repealed.

SECTION 15.16.(c) G.S. 62-302, as amended by subsection (a) of this section, reads as rewritten:

"(a) Fee Imposed. – It is the policy of the State of North Carolina to provide fair regulation of public utilities in the interest of the public, as provided in G.S. 62-2. The cost of regulating public utilities is a burden incident to the privilege of operating as a public utility. Therefore, for the purpose of defraying the cost of regulating public utilities, every public utility subject to the jurisdiction of the Commission shall pay a quarterly regulatory fee, in addition to all other fees and taxes, as provided in this section. The fees collected shall be used only to pay the expenses of the Commission and the Public Staff in regulating public utilities in the interest of the public and to maintain a reasonable margin for a reserve fund. The amount of the reserve may not exceed one-half of the cost of operating the Commission and the Public Staff as reflected in the certified budget for the previous fiscal year.

It is also the policy of the State to provide limited oversight of certain electric membership corporations as provided in G.S. 62-53. Therefore, for the purpose of defraying the cost of providing the oversight authorized by G.S. 62-53 and G.S. 117-18.1, each fiscal year each electric membership corporation whose principal purpose is to furnish or cause to be furnished bulk electric supplies at wholesale as provided in G.S. 117-16 shall pay an annual fee as provided in this section.

(b) Public Utility Rate. –

(1) Repealed by Session Laws 2000-140, s. 56, effective July 21, 2000.

(2) Unless adjusted under subdivision (3) of this subsection, the public utility fee is a percentage of a utility's jurisdictional revenues as follows:

<u>Noncompetitive jurisdictional revenues</u>	<u>0.148%</u>
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<u>Subsection (h) competitive jurisdictional revenues</u>	<u>0.06%</u>
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<u>Subsection (m) competitive jurisdictional revenues</u>	<u>0.05%</u>
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~~For noncompetitive jurisdictional revenues as defined in sub-subdivision (4)a. of this subsection, the public utility regulatory fee for each fiscal year is the greater of (i) a percentage rate, established by the General Assembly, of each public utility's noncompetitive jurisdictional revenues for each quarter or (ii) six dollars and twenty five cents (\$6.25) each quarter. For subsection (h) competitive jurisdictional revenues as defined in sub-subdivision (4)b. of this subsection, and subsection (m) competitive jurisdictional revenues as defined in sub-subdivision (4)c. of this subsection, the public utility regulatory fee for each fiscal year is a percentage rate established by the General Assembly of each public utility's competitive jurisdictional revenues for each quarter.~~

When the Commission prepares its budget request for the upcoming fiscal year, the Commission shall propose a percentage rate of the public utility regulatory fee. For fiscal years beginning in an odd-numbered year, that proposed rate shall be included in the budget message the Governor submits to the General Assembly pursuant to G.S. 143C-3-5. For fiscal years beginning in an even-numbered year, that proposed rate shall be included in a special budget message the Governor shall submit to the General Assembly. The General Assembly shall set the percentage rate of the public utility regulatory fee by law.

The percentage rate may not exceed the amount necessary to generate funds sufficient to defray the estimated cost of the operations of the Commission and the Public Staff for the upcoming fiscal year, including a reasonable margin for a reserve fund. The amount of the reserve may not exceed the estimated cost of operating the Commission and the Public Staff for the upcoming fiscal year. In calculating the amount of the reserve, the General Assembly shall consider all relevant factors that may affect the cost of operating the Commission or the Public Staff or a possible unanticipated increase or decrease in North Carolina jurisdictional revenues.

- (3) In the first half of each calendar year, the Commission shall review the estimated cost of operating the Commission and the Public Staff for the next fiscal year, including a reasonable margin for the reserve fund allowed under this section. In making this determination, the Commission shall consider all relevant factors that may affect the cost of operating the Commission or the Public Staff or a possible unanticipated change in competitive and noncompetitive jurisdictional revenues. If the estimated receipts provided for under this section are less than the estimated cost of operating the Commission and the Public Staff for the next fiscal year, including the reasonable margin for the reserve fund, then If the Commission, the Public Staff, or both experience a revenue shortfall, the Commission shall may implement a temporary increase the public utility regulatory fee surcharge on noncompetitive jurisdictional revenues effective for the next fiscal year to avert the deficiency that would otherwise occur. In no event may the total percentage rate of the public utility regulatory fee on noncompetitive jurisdiction revenues plus any surcharge established by the Commission exceed twenty five hundredths percent (0.25%) seventeen and one-half hundredths of one percent (0.175%). If the estimated receipts provided for under this section are more than the estimated cost of operating the Commission and the Public Staff for the next fiscal year, including the reasonable margin for the reserve fund, then the Commission shall decrease the public utility regulatory fee on noncompetitive jurisdictional revenues effective for the next fiscal year.

- (4) As used in this section:

- a. "Noncompetitive jurisdictional revenues" means all revenues derived or realized from intrastate tariffs, rates, and charges approved or allowed by the Commission or collected pursuant to Commission order or rule, but not including tap-on fees or any other form of contributions in aid of construction.
- b. "Subsection (h) competitive jurisdictional revenues" means all revenues derived from retail services provided by local exchange companies and competing local providers that have elected to operate under G.S. 62-133.5(h).

1 c. "Subsection (m) competitive jurisdictional revenues" means all
2 revenues derived from retail services provided by local exchange
3 companies and competing local providers that have elected to operate
4 under G.S. 62-133.5(m).

5 (b1) Electric Membership Corporation Rate. – The electric membership corporation
6 regulatory fee for each fiscal year shall be a dollar amount as established by the General
7 Assembly by law is two hundred thousand dollars (\$200,000).

8 ~~When the Commission prepares its budget request for the upcoming fiscal year, the~~
9 ~~Commission shall propose the amount of the electric membership corporation regulatory fee.~~
10 ~~For fiscal years beginning in an odd-numbered year, the proposed amount shall be included in~~
11 ~~the budget message the Governor submits to the General Assembly pursuant to G.S. 143C-3-5.~~
12 ~~For fiscal years beginning in an even-numbered year, the proposed amount shall be included in~~
13 ~~a special budget message the Governor shall submit to the General Assembly.~~

14 ~~The amount of the electric membership corporation regulatory fee proposed by the~~
15 ~~Commission may not exceed the amount necessary to defray the estimated cost of the~~
16 ~~operations of the Commission and the Public Staff for the regulation of the electric membership~~
17 ~~corporations in the upcoming fiscal year, including a reasonable margin for a reserve fund. The~~
18 ~~amount of the reserve may not exceed the estimated cost of the Commission and the Public~~
19 ~~Staff for the regulation of the electric membership corporations for the upcoming fiscal year.~~

20 ...

21 (e) ~~Recovery of fee increase.~~ Fee Changes. – If a utility's regulatory fee obligation is
22 ~~increased, changed,~~ the Commission shall either adjust the utility's rates to reflect the change
23 ~~allow for the recovery of the increased fee obligation,~~ or approve the utility's request for an
24 accounting order allowing deferral of the increase change in the fee obligation."

25 **SECTION 15.16.(d)** G.S. 62-302(b)(2), as amended by subsection (c) of this
26 section, reads as rewritten:

27 "(2) Unless adjusted under subdivision (3) of this subsection, the public utility
28 fee is a percentage of a utility's jurisdictional revenues as follows:

29 Noncompetitive jurisdiction revenues	0.148%
30 Subsection (h) competitive jurisdictional revenues	0.06% 0.04%
31 Subsection (m) competitive jurisdictional revenues	0.05% 0.02%"

32 **SECTION 15.16.(e)** Subsection (c) of this section is effective July 1, 2015, and
33 applies to jurisdictional revenues earned in each quarter that begins on or after July 1, 2015.
34 Subsection (d) of this section is effective July 1, 2016, and applies to jurisdictional revenues
35 earned in each quarter that begins on or after July 1, 2016. The remainder of this section is
36 effective on the date this act becomes law.

37

38 NC BIOTECHNOLOGY CENTER

39 **SECTION 15.17.(a)** Of the funds appropriated in this act to the North Carolina
40 Biotechnology Center (hereinafter "Center"), the sum of thirteen million six hundred thousand
41 three hundred thirty-eight dollars (\$13,600,338) for each fiscal year in the 2015-2017 biennium
42 shall be allocated as follows:

- 43 (1) Job Creation: Ag Biotech Initiative, Economic and Industrial Development,
44 and related activities – \$2,924,073;
- 45 (2) Science and Commercialization: Science and Technology Development,
46 Centers of Innovation, Business and Technology Development, Education
47 and Training, and related activities – \$8,813,019; and
- 48 (3) Center Operations: Administration, Professional and Technical Assistance
49 and Oversight, Corporate Communications, Human Resource Management,
50 Financial and Grant Administration, Legal, and Accounting – \$1,863,246.

SECTION 15.17.(b) The Center shall prioritize funding and distribution of loans over existing funding and distribution of grants.

SECTION 15.17.(c) Except to provide administrative flexibility, up to ten percent (10%) of each of the allocations in subsection (a) of this section may be reallocated to one or more of the other allocations in subsection (a) of this section if, in the judgment of Center management, the reallocation will advance the mission of the Center.

SECTION 15.17.(d) The Center shall comply with the following reporting requirements:

- (1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.
- (2) Provide to the Fiscal Research Division a copy of the Center's annual audited financial statement within 30 days of issuance of the statement.

GRASSROOTS SCIENCE PROGRAM

SECTION 15.18.(a) Of the funds appropriated in this act to the Department of Commerce for State-Aid, the sum of two million seven hundred forty-eight thousand four hundred twenty-nine dollars (\$2,748,429) is allocated as grants-in-aid for each fiscal year of the 2015-2017 biennium as follows:

	2015-2016	2016-2017
Aurora Fossil Museum	\$61,404	\$61,404
Cape Fear Museum	\$77,682	\$77,682
Carolina Raptor Center	\$77,642	\$77,642
Catawba Science Center	\$94,681	\$94,681
Colburn Earth Science Museum, Inc.	\$63,060	\$63,060
Core Sound Waterfowl Museum	\$69,313	\$69,313
Cowan Museum of History and Science	\$58,959	\$58,959
Discovery Place	\$350,247	\$350,247
Discovery Place KIDS (Rockingham)	\$58,000	\$58,000
Eastern NC Regional Science Center	\$59,720	\$59,720
Fascinate-U	\$66,591	\$66,591
Granville County Museum Commission, Inc. – Harris Gallery	\$61,003	\$61,003
Greensboro Children's Museum	\$83,384	\$83,384
Greensboro Science Center	\$138,404	\$138,404
Hands On! – A Child's Gallery	\$62,225	\$62,225
Highlands Nature Center	\$63,038	\$63,038
Imagination Station	\$65,853	\$65,853
The Iredell Museums, Inc.	\$60,850	\$60,850
Kidsenses	\$63,781	\$63,781
Marbles Kids Museum	\$157,546	\$157,546
Museum of Coastal Carolina	\$66,839	\$66,839
North Carolina Estuarium	\$62,551	\$62,551
North Carolina Museum of Life and Science	\$208,639	\$208,639
Pisgah Astronomical Research Institute	\$84,619	\$84,619
Port Discover: Northeastern North Carolina's Center for Hands-On Science, Inc.	\$60,959	\$60,959

1	Rocky Mount Children's Museum	\$65,438	\$65,438
2	Schiele Museum of Natural History		
3	and Planetarium, Inc.	\$102,352	\$102,352
4	Sci Works Science Center and		
5	Environmental Park of Forsyth County	\$89,194	\$89,194
6	Sylvan Heights Waterfowl Park		
7	and Eco-Center	\$71,215	\$71,215
8	Western North Carolina Nature Center	\$72,978	\$72,978
9	Wilmington Children's Museum	\$70,262	\$70,262
10	Total	\$2,748,429	\$2,748,429

11 **SECTION 15.18.(b)** No later than March 1, 2016, the Department of Commerce
 12 shall report to the Fiscal Research Division all of the following information for each museum
 13 that receives funds under this section:

- 14 (1) For museums that operate on a fiscal year, the actual operating budget for
 15 the 2014-2015 fiscal year. For museums that operate on a calendar year, the
 16 actual operating budget for the 2014 calendar year.
- 17 (2) The proposed operating budget for the 2015-2016 fiscal year.
- 18 (3) The total attendance at the museum during the 2015 calendar year.

19 **SECTION 15.18.(c)** No later than March 1, 2017, the Department of Commerce
 20 shall report to the Fiscal Research Division all of the following information for each museum
 21 that receives funds under this section:

- 22 (1) For museums that operate on a fiscal year, the actual operating budget for
 23 the 2015-2016 fiscal year. For museums that operate on a calendar year, the
 24 actual operating budget for the 2015 calendar year.
- 25 (2) The proposed operating budget for the 2016-2017 fiscal year.
- 26 (3) The total attendance at the museum during the 2016 calendar year.

27 **SECTION 15.18.(d)** As a condition for qualifying to receive funding under this
 28 section, all of the following documentation shall, no later than November 1 of each year of the
 29 2015-2017 fiscal biennium, be submitted for each museum under this section to the Department
 30 of Commerce for the fiscal year that most recently ended and only those costs that are properly
 31 documented under this subsection are allowed by the Department in calculating the distribution
 32 of funds under this section:

- 33 (1) Each museum under this section shall submit its IRS (Internal Revenue
 34 Service) Form 990 to show its annual operating expenses, its annual report,
 35 and a reconciliation that explains any differences between expenses as
 36 shown on the IRS Form 990 and the annual report.
- 37 (2) Each friends association of a museum under this section shall submit its IRS
 38 Form 990 to show its reported expenses for the museum, its annual report,
 39 and a reconciliation that explains any differences between expenses as
 40 shown on the IRS Form 990 and the annual report, unless the association
 41 does not have both an IRS Form 990 and an annual report available; in
 42 which case, it shall submit either an IRS Form 990 or an annual report.
- 43 (3) The chief financial officer of each county or municipal government that
 44 provides funds for the benefit of the museum shall submit a detailed signed
 45 statement of documented costs spent for the benefit of the museum that
 46 includes documentation of the name, address, title, and telephone number of
 47 the person making the assertion that the museum receives funds from the
 48 county or municipality for the benefit of the museum.
- 49 (4) The chief financial officer of each county or municipal government or each
 50 friends association that provides indirect or allocable costs that are not
 51 directly charged to a museum under this section but that benefit the museum

shall submit in the form of a detailed statement enumerating each cost by type and amount that is verified by the financial officer responsible for the completion of the documentation and that includes the name, address, title, and telephone number of the person making the assertion that the county, municipality, or association provides indirect or allocable costs to the museum.

SECTION 15.18.(e) As used in subsection (d) of this section, "friends association" means a nonprofit corporation established for the purpose of supporting and assisting a museum that receives funding under this section.

SECTION 15.18.(f) Each museum listed in subsection (a) of this section shall do the following:

- (1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.
- (2) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

COMMERCE NONPROFITS/REPORTING REQUIREMENTS

SECTION 15.19. Cleveland County ALWS Baseball, Inc., High Point Furniture Market Authority, North Carolina Arboretum, RTI International, and The Support Center shall do the following:

- (1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.
- (2) Provide to the Fiscal Research Division a copy of the entity's annual audited financial statement within 30 days of issuance of the statement.

NC ARBORETUM/FUNDS

SECTION 15.20.(a) Of the funds appropriated in this act to the Department of Commerce for State-Aid, the sum of eight hundred fifty-eight thousand three hundred eighty dollars (\$858,380) in nonrecurring funds for each year of the 2015-2017 biennium shall be allocated to the North Carolina Arboretum (Arboretum) as follows:

- | | | |
|-----|----------------------|-----------|
| (1) | Bent Creek Institute | \$500,000 |
| (2) | Germplasm Repository | 358,380. |

SECTION 15.20.(b) The Arboretum shall, by March 1, 2016, and March 1, 2017, report to the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources and the Senate Appropriations Committee on Natural and Economic Resources and the Fiscal Research Division on the Arboretum's efforts to attract, grow, and support the natural and nutraceutical product industry.

FUNDS FOR THE BREVARD STATION MUSEUM

SECTION 15.21.(a) Of the funds appropriated in this act to the Department of Commerce for State Aid, the sum of fifty thousand dollars (\$50,000) in nonrecurring funds for the 2015-2016 fiscal year shall be allocated to the Town of Stanley to distribute to the Brevard Station Museum. These funds shall be used by the Museum to support its efforts to preserve the history of Stanley, North Carolina.

SECTION 15.21.(b) The Town of Stanley shall do the following:

- (1) By September 1 of each year, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the Museum's prior State fiscal year activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources.
- (2) Provide to the Fiscal Research Division a copy of the Museum's annual audited financial statement within 30 days of issuance of the statement.

PART XVI. DEPARTMENT OF PUBLIC SAFETY

SUBPART XVI-A. GENERAL PROVISIONS

GRANT REPORTING AND MATCHING FUNDS

SECTION 16A.1.(a) The Department of Public Safety, the Department of Justice, and the Judicial Department shall report by May 1 of each year to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety on grant funds received or preapproved for receipt by those departments. The report shall include information on the amount of grant funds received or preapproved for receipt by each department, the use of the funds, the State match expended to receive the funds, and the period to be covered by each grant. If the department intends to continue the program beyond the end of the grant period, the department shall report on the proposed method for continuing the funding of the program at the end of the grant period. Each department shall also report on any information it may have indicating that the State will be requested to provide future funding for a program presently supported by a local grant.

SECTION 16A.1.(b) Notwithstanding the provisions of G.S. 143C-6-9, the Department of Public Safety may use up to the sum of one million two hundred thousand dollars (\$1,200,000) during the 2015-2016 fiscal year and up to the sum of one million two hundred thousand dollars (\$1,200,000) during the 2016-2017 fiscal year from funds available to the Department to provide the State match needed in order to receive grant funds. Prior to using funds for this purpose, the Department shall report to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety on the grants to be matched using these funds.

CHANGE RECIPIENTS OF VICTIMS' COMPENSATION REPORT

SECTION 16A.2. G.S. 15B-21 reads as rewritten:

"§ 15B-21. Annual report.

The Commission shall, by March 15 each year, prepare and transmit to the ~~Governor and the General Assembly~~ chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and to the chairs of the House and Senate Appropriations Committees on Justice and Public Safety a report of its activities in the prior fiscal year and the current fiscal year to date. The report shall include:

- (1) The number of claims filed;
- (2) The number of awards made;
- (2a) The number of pending cases by year received;
- (3) The amount of each award;
- (4) A statistical summary of claims denied and awards made;
- (5) The administrative costs of the Commission, including the compensation of commissioners;
- (6) The current unencumbered balance of the North Carolina Crime Victims Compensation Fund;
- (7) The amount of funds carried over from the prior fiscal year;

- (8) The amount of funds received in the prior fiscal year from the Division of Adult Correction of the Department of Public Safety and from the compensation fund established pursuant to the Victims Crime Act of 1984, 42 U.S.C. § 10601, et seq.; and
- (9) The amount of funds expected to be received in the current fiscal year, as well as the amount actually received in the current fiscal year on the date of the report, from the Division of Adult Correction of the Department of Public Safety and from the compensation fund established pursuant to the Victims Crime Act of 1984, 42 U.S.C. § 10601, et seq.

The Attorney General and State Auditor shall assist the Commission in the preparation of the report required by this section."

LIMITED AUTHORITY TO ELIMINATE AND RECLASSIFY CERTAIN POSITIONS

SECTION 16A.3. Notwithstanding any other provision of law, subject to the approval of the Director of the Budget, the Secretary of the Department of Public Safety may reclassify or eliminate existing positions in the Division of Administration that are not specifically addressed in this act as needed for the efficient operation of the Department. No position shall be reclassified pursuant to this section solely for the purpose of providing a person in that position with a salary increase. The Secretary of the Department of Public Safety shall report any position reclassification undertaken pursuant to this section to the chairs of the House and Senate Appropriations Committees on Justice and Public Safety and the Fiscal Research Division within 30 days of the reclassification. The report shall include the position number, original title, original fund code, original budgeted salary, new title, new fund code, and new budgeted salary for each reclassified position.

SAMARCAND TRAINING ACADEMY

SECTION 16A.4. The former juvenile detention facility known as Samarkand Manor, located in Moore County, is redesignated a law enforcement and corrections training facility and assigned to the Office of the Secretary of the Department of Public Safety. The facility shall be renamed Samarcand Training Academy and shall be administered by a Director. The operating budget for Samarcand Training Academy shall be funded by the Department of Public Safety but shall be independent of the operating budget of any Division within the Department and shall be managed and administered by the Director of the Academy with oversight by the Office of the Secretary of the Department of Public Safety.

TRANSFER FROM STATEWIDE MISDEMEANANT CONFINEMENT FUND

SECTION 16A.5. There is transferred from the Statewide Misdemeanant Confinement Fund (Budget Code 24550-2325) to the General Fund the sum of two million eight hundred ninety-eight thousand seven hundred seventy-nine dollars (\$2,898,779) for the 2015-2016 fiscal year.

SUBPART XVI-B. DIVISION OF LAW ENFORCEMENT

USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE LAW ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT

SECTION 16B.1.(a) Assets transferred to the Department of Justice or to the Department of Public Safety during the 2015-2017 fiscal biennium pursuant to applicable federal law shall be credited to the budgets of the respective departments and shall result in an increase of law enforcement resources for those departments. The Departments of Justice and Public Safety shall make the following reports to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety:

- (1) A report upon receipt of any assets.
- (2) A report that shall be made prior to use of the assets on their intended use and the departmental priorities on which the assets may be expended.
- (3) A report on receipts, expenditures, encumbrances, and availability of these assets for the previous fiscal year, which shall be made no later than September 1 of each year.

SECTION 16B.1.(b) The General Assembly finds that the use of assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the Department of Justice and the Department of Public Safety are prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 16B.1.(c) Nothing in this section prohibits North Carolina law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

VOICE INTEROPERABILITY PLAN FOR EMERGENCY RESPONSE (VIPER) SYSTEM

SECTION 16B.2. The Department of Public Safety shall report annually no later than March 1 to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the progress of the State's VIPER system.

GANGNET REPORT AND RECOMMENDATIONS

SECTION 16B.3.(a) Article 4 of Chapter 20 of the General Statutes is amended by adding a new section to read:

"§ 20-196.5. Report on gang prevention recommendations.

The State Highway Patrol, in conjunction with the State Bureau of Investigation and the Governor's Crime Commission, shall develop recommendations concerning the establishment of priorities and needed improvements with respect to gang prevention and shall report those recommendations to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on or before March 1 of each year."

SECTION 16B.3.(b) G.S. 143B-1101(b) reads as rewritten:

"(b) The Governor's Crime Commission shall review the level of gang activity throughout the State and assess the progress and accomplishments of the State, and of local governments, in preventing the proliferation of gangs and addressing the needs of juveniles who have been identified as being associated with gang activity.

~~The Governor's Crime Commission shall develop recommendations concerning the establishment of priorities and needed improvements with respect to gang prevention and shall report those recommendations to the Chairs of the Senate Appropriations Committee on Justice and Public Safety, the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety, and to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on or before March 1 of each year."~~

STATE CAPITOL POLICE/RECEIPT-SUPPORTED POSITIONS

SECTION 16B.4.(a) The State Capitol Police may contract with State agencies for the creation of receipt-supported positions to provide security services to the buildings occupied by those agencies.

SECTION 16B.4.(b) The State Capitol Police shall report the creation of any position pursuant to this section to the chairs of the House of Representatives and Senate

1 Appropriations Committees on Justice and Public Safety and to the Fiscal Research Division
2 within 30 days of the position's creation.

3
4 **CHANGES TO EXPUNCTION AND METHAMPHETAMINE REPORTING**
5 **REQUIREMENTS**

6 **SECTION 16B.5.(a)** G.S. 15A-160 reads as rewritten:

7 **"§ 15A-160. Reporting requirement.**

8 The Department of Public Safety, in conjunction with the Department of Justice and the
9 Administrative Office of the Courts-Courts, shall report jointly to the Chairs of the Joint
10 Legislative Oversight Committee on Justice and Public Safety Oversight by September 1 of
11 each year regarding expunctions. The report shall include all of the following information:

- 12 (1) The number and types of expunctions granted during the fiscal year in which
13 the report is made.
14 (2) The number and type of expunctions granted each fiscal year for the five
15 fiscal years preceding the date of the report.
16 (3) A full accounting of how the agencies have spent the receipts generated by
17 the expunction fees received during the fiscal year in which the report is
18 made and for the five preceding fiscal years."

19 **SECTION 16B.5.(b)** G.S. 90-113.64 reads as rewritten:

20 **"§ 90-113.64. SBI annual report.**

21 Beginning with the 2011 calendar year, the State Bureau of Investigation shall determine
22 the number of methamphetamine laboratories discovered in the State each calendar year and
23 report its findings to the Joint Legislative Oversight Committee on Justice and Public Safety
24 and to the Legislative Commission on Methamphetamine Abuse by March 1, 2012, for the
25 2011 calendar year and each March 1 thereafter for the preceding calendar year. The State
26 Bureau of Investigation shall participate in the High Intensity Drug Trafficking Areas (HIDTA)
27 program, assist in coordinating the drug control efforts between local and State law
28 enforcement agencies, and monitor the implementation and effectiveness of the electronic
29 record-keeping requirements included in G.S. 90-113.52A and G.S. 90-113.56. The SBI shall
30 include its findings in the report to the Commission required by this section."

31
32 **CLARIFY BOXING COMMISSION FEE**

33 **SECTION 16B.6.(a)** G.S. 143-655(b1) reads as rewritten:

34 "(b1) Admission Fees. – The Branch shall collect a fee in the amount of two dollars
35 (\$2.00) per each ticket sold spectator to attend events regulated in this Article."

36 **SECTION 16B.6.(b)** This section is effective on July 1, 2015, and applies to fees
37 collected or assessed on or after that date.

38
39 **SBI/ALE ASHEVILLE REGIONAL OFFICE**

40 **SECTION 16B.7.** Section 17.1(aaaa) of S.L. 2014-100 reads as rewritten:

41 **"SECTION 17.1.(aaaa)** The Department of Public Safety shall consolidate ALE and SBI
42 Regions and Regional Offices. The Asheville Regional Office shall be operational ~~by July 1,~~
43 2015 upon completion of a new facility. All other Regional Offices shall be operational by
44 October 1, 2014."

45
46 **CLARIFY HAZARDOUS MATERIALS FEE**

47 **SECTION 16B.8.(a)** G.S. 166A-29.1 reads as rewritten:

48 **"§ 166A-29.1. Hazardous materials facility fee.**

49 (a) Definitions. – The following definitions apply in this section:

- 50 (1) EPCRA. – The federal Emergency Planning and Community Right-to-Know
51 Act, P.L. No. 99-499 et. seq.

- 1 (2) Extremely hazardous substance. – Any substance, regardless of its state, set
2 forth in 40 C.F.R. Part 355, Appendix A or B.
- 3 (3) Hazardous chemical. – As defined in 29 C.F.R. 1910.1200(c), except that the
4 term does not include any of the following:
- 5 a. Any food, food additive, color additive, drug, or cosmetic regulated
6 by the Food and Drug Administration.
- 7 b. Any substance present as a solid in any manufactured item to the
8 extent exposure to the substance does not occur under normal
9 conditions of use.
- 10 c. Any substance to the extent that it is used for personal, family, or
11 household purposes or is present in the same form and concentration
12 as a product packaged for distribution and use by the public.
- 13 d. Any substance to the extent that it is used in a research laboratory or
14 a hospital or other medical facility under the direct supervision of a
15 technically qualified individual.
- 16 e. Any substance to the extent that it is used in routine agricultural
17 operations or is a fertilizer held for sale by a retailer to the ultimate
18 consumer.
- 19 (b) Annual Fee Shall Be Charged. – A person or business required under Section 302 or
20 312 of EPCRA to submit a notification or an annual inventory form to the Division shall be
21 required to pay to the Department an annual fee in the amount set forth in subsection (c) of this
22 section.
- 23 (c) Amount of Fee. – The amount of the annual fee charged pursuant to subsection (b)
24 of this section shall be calculated in accordance with the following, up to a maximum annual
25 amount of ~~five thousand dollars (\$5,000)~~; five thousand dollars (\$5,000) per reporting site:
- 26 (1) A fee of fifty dollars (\$50.00) shall be assessed for each substance at each
27 site reported by a ~~facility~~ person or business that is classified as a hazardous
28 chemical.
- 29 (2) A fee of ninety dollars (\$90.00) shall be assessed for each substance at each
30 site reported by a ~~facility~~ person or business that is classified as an extremely
31 hazardous substance.
- 32 (d) Late Fees. – The Division may impose a late fee against a person or business for
33 failure to submit a report or filing that substantially complies with the requirements of EPCRA
34 by the federal filing deadline or for failure to pay any fee, including a late fee. This fee shall be
35 in addition to the fee imposed pursuant to subsection (c) of this section. Prior to imposing a late
36 fee, the Division shall provide the person or business who will be assessed the late fee with
37 written notice that identifies the specific requirements that have not been met and informs the
38 person or business of its intent to assess a late fee. The assessment of a late fee shall be subject
39 to the following limitations:
- 40 (1) If the report filing or fee is submitted within 30 days after receipt of the
41 Division's notice that it intends to assess a late fee, no late fee shall be
42 assessed.
- 43 (2) If the report filing or fee has not been submitted by the end of the period set
44 forth in subdivision (1) of this subsection, the Division may impose a late fee
45 in an amount equal to the amount of the fee charged pursuant to subsection
46 (c) of this section.
- 47 (e) Exemptions. – No fee shall be charged under this section to any of the following:
- 48 (1) An owner or operator of a family farm enterprise, a facility owned by a State
49 or local government, or a nonprofit corporation.
- 50 (2) An owner or operator of a facility where motor vehicle fuels are stored and
51 from which such fuels are offered for retail sale. However, hazardous

chemicals or extremely hazardous substances at such a facility, other than motor vehicle fuels for retail sale, shall not be subject to this exemption.

(3) A motor vehicle dealer, as that term is defined in G.S. 20-286(11).

(f) Use of Fee Proceeds. – The proceeds of fees assessed pursuant to this section shall be used for the following:

- (1) To ~~pay offset~~ costs associated with the establishment and maintenance of a hazardous materials database and a hazardous materials response application.
- (2) To ~~support the offset~~ costs associated with the operations of the regional response program for hazardous materials emergencies and terrorist incidents.
- (3) To provide grants to counties for hazardous materials emergency response planning, training, and related exercises.
- (4) To offset Division costs that directly support hazardous materials emergency preparedness and response."

SECTION 16B.8.(b) This section becomes effective on July 1, 2015, and applies to fees assessed or collected on or after that date.

AMEND NATIONAL GUARD FAMILY ASSISTANCE CENTERS ANNUAL REPORT REQUIREMENTS

SECTION 16B.9. Section 1(b) of S.L. 2011-185 reads as rewritten:

"**SECTION 1.(b)** The Department of ~~Crime Control and~~ Public Safety shall report annually no later than September 1 to the Chairs of the House of Representatives and Senate Appropriations ~~Subcommittees~~ Committees on Justice and Public Safety and to the House of Representatives Committee on Homeland Security, Military, and Veterans Affairs on the activities of the National Guard Family Assistance ~~Centers~~ Centers during the previous fiscal year. This report shall include information on services provided as well as on the number and type of members of the active or reserve components of the Armed Forces of the United States, veterans, and family members served."

SUBPART XVI-C. DIVISION OF ADULT CORRECTION

REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL COSTS FOR INMATES, PAROLEES, AND POST-RELEASE SUPERVISEES AWAITING TRANSFER TO STATE PRISON SYSTEM

SECTION 16C.1. Notwithstanding G.S. 143C-6-9, the Department of Public Safety may use funds available to the Department for the 2015-2017 fiscal biennium to pay the sum of forty dollars (\$40.00) per day as reimbursement to counties for the cost of housing convicted inmates, parolees, and post-release supervisees awaiting transfer to the State prison system, as provided in G.S. 148-29. The Department shall report annually by February 1 of each year to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety on the expenditure of funds to reimburse counties for prisoners awaiting transfer.

CENTER FOR COMMUNITY TRANSITIONS/CONTRACT AND REPORT

SECTION 16C.2. The Department of Public Safety may continue to contract with The Center for Community Transitions, Inc., a nonprofit corporation, for the purchase of prison beds for minimum security female inmates during the 2015-2017 fiscal biennium. The Center for Community Transitions, Inc., shall report by February 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety

on the annual cost per inmate and the average daily inmate population compared to bed capacity using the same methodology as that used by the Department of Public Safety.

USE OF CLOSED FACILITIES

SECTION 16C.3. In conjunction with the closing of prison facilities, youth detention centers, and youth development centers, the Department of Public Safety shall consult with the county or municipality in which the facility is located, with the elected State and local officials, and with State and federal agencies about the possibility of converting that facility to other use. The Department may also consult with any private for-profit or nonprofit firm about the possibility of converting the facility to other use. In developing a proposal for future use of each facility, the Department shall give priority to converting the facility to other criminal justice use. Consistent with existing law and the future needs of the Department of Public Safety, the State may provide for the transfer or the lease of any of these facilities to counties, municipalities, State agencies, federal agencies, or private firms wishing to convert them to other use. G.S. 146-29.1(f) through (g) shall not apply to a transfer made pursuant to this section. The Department of Public Safety may also consider converting some of the facilities recommended for closing from one security custody level to another, where that conversion would be cost-effective. A prison unit under lease to a county pursuant to the provisions of this section for use as a jail is exempt for the period of the lease from any of the minimum standards adopted by the Secretary of Health and Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that would subject the unit to greater standards than those required of a unit of the State prison system.

MEDICAL COSTS FOR INMATES AND JUVENILE OFFENDERS

SECTION 16C.4. Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"§ 143B-707.3. Medical costs for inmates and juvenile offenders.

(a) The Department of Public Safety shall reimburse those providers and facilities providing approved medical services to inmates and juvenile offenders outside the correctional or juvenile facility the lesser amount of either a rate of seventy percent (70%) of the provider's then-current prevailing charge or two times the then-current Medicaid rate for any given service. The Department shall have the right to audit any given provider to determine the actual prevailing charge to ensure compliance with this provision.

This section does apply to vendors providing services that are not billed on a fee-for-service basis, such as temporary staffing. Nothing in this section shall preclude the Department from contracting with a provider for services at rates that provide greater documentable cost avoidance for the State than do the rates contained in this section or at rates that are less favorable to the State but that will ensure the continued access to care.

(b) The Department of Public Safety shall make every effort to contain medical costs for inmates and juvenile offenders by making use of its own hospital and health care facilities to provide health care services to inmates and juvenile offenders. To the extent that the Department of Public Safety must utilize other facilities and services to provide health care services to inmates and juvenile offenders, the Department shall make reasonable efforts to make use of hospitals or other providers with which it has a contract or, if none is reasonably available, hospitals with available capacity or other health care facilities in a region to accomplish that goal. The Department shall make reasonable efforts to equitably distribute inmates and juvenile offenders among all hospitals or other appropriate health care facilities.

(c) The Department of Public Safety shall report quarterly to the Joint Legislative Oversight Committee on Justice and Public Safety and the chairs of the House of Representative and Senate Appropriations Committees on Justice and Public Safety on:

- (1) The percentage of the total inmates and juvenile offenders requiring hospitalization or hospital services who receive that treatment at each hospital.
- (2) The volume of services provided by community medical providers that can be scheduled in advance and, of that volume, the percentage of those services that are provided by contracted providers.
- (3) The volume of services provided by community medical providers that cannot be scheduled in advance and, of that volume, the percentage of those services that are provided by contracted providers.
- (4) The volume of services provided by community medical providers that are emergent cases requiring hospital admissions and emergent cases not requiring hospital admissions.
- (5) The volume of inpatient medical services provided to Medicaid-eligible inmates and juvenile offenders, the cost of treatment, and the estimated savings of paying the nonfederal portion of Medicaid for the services.
- (6) The hospital utilization, including the amount paid to individual hospitals, the number of inmates and juvenile offenders served, and the number of claims."

INMATE MEDICAL SERVICES/REQUEST FOR INFORMATION

SECTION 16C.5.(a) Not later than October 1, 2015, the Department of Public Safety shall issue a Request For Information (RFI) for a contractor to provide comprehensive medical care on a statewide basis to adult inmates and juvenile offenders in the custody of the Department. For purposes of this section, the term "comprehensive medical care" includes physical health services, mental health services, dental services, and pharmacy services, as well as inpatient hospitalization, outpatient care, specialty care, emergency department, dialysis services, and standardization of electronic health information records.

SECTION 16C.5.(b) The RFI shall require responses to be due not later than 90 days after the date it is issued by the Department.

SECTION 16C.5.(c) The Department shall evaluate the responses to the RFI and report the results of that evaluation, along with any recommendations related to them, to the Joint Legislative Oversight Committee on Justice and Public Safety not later than 60 days after the final date for receipt of responses.

STATEWIDE MISDEMEANANT CONFINEMENT FUND/MONTHLY AND ANNUAL REPORTS

SECTION 16C.6.(a) The North Carolina Sheriffs' Association shall report monthly by the 15th day of each month to the Office of State Budget and Management and the Fiscal Research Division on the Statewide Misdemeanant Confinement Program. Each monthly report shall include the following:

- (1) The daily population, delineated by misdemeanor or DWI monthly housing.
- (2) The cost of housing prisoners under the Program.
- (3) The cost of transporting prisoners under the Program.
- (4) Personnel costs.
- (5) Inmate medical care costs.
- (6) The number of counties that volunteer to house inmates under the Program.
- (7) The administrative costs paid to the Sheriffs' Association and to the Department of Public Safety.

SECTION 16C.6.(b) The North Carolina Sheriffs' Association shall report by October 1 of each year to the Chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the Joint Legislative Oversight

Committee on Justice and Public Safety on the Statewide Misdemeanant Confinement Program. The annual report shall include the following with respect to the prior fiscal year:

- (1) Revenue collected by the Statewide Misdemeanant Confinement Program.
- (2) The cost of housing prisoners by county under the Program.
- (3) The cost of transporting prisoners by county under the Program.
- (4) Personnel costs by county.
- (5) Inmate medical care costs by county.
- (6) The number of counties that volunteer to house inmates under the Program.
- (7) The administrative costs paid to the Sheriffs' Association and to the Department of Public Safety.

INMATE CONSTRUCTION PROGRAM

SECTION 16C.7. Notwithstanding G.S. 66-58 or any other provision of law, during the 2015-2017 fiscal biennium, the State Construction Office may, wherever feasible, utilize inmates in the custody of the Division of Adult Correction of the Department of Public Safety through the Inmate Construction Program for repair and renovation projects on State-owned facilities, with priority given to Department of Public Safety construction projects.

MAINTENANCE OF PRISONS

SECTION 16C.8. The Department of Public Safety shall not expand private maintenance contracts to additional prison facilities or continue existing private contracts for prison maintenance unless authorized by the General Assembly. If the Department determines that expanding private maintenance contracts to additional prison facilities or continuing existing contracts is necessary, then it shall submit its request to the General Assembly by May 1, 2016, stating (i) the ways in which the State can realize savings by doing so and (ii) that safety can be maintained at the facilities where those contracts are expanded or continued.

DETER INMATE ACCESS TO CELL PHONES

SECTION 16C.9. The Department of Public Safety, Division of Adult Correction, may use funds available to fund enhanced prison security technology to deter illegal access of cell phones by inmates in the State's prison system. The Division of Adult Correction is encouraged to identify non-General Fund sources of funds, including federal and foundation grants and other receipts, to achieve this purpose.

REPORT ON CONTRACTS FOR HOUSING STATE PRISONERS/REPEAL AUTHORIZATION FOR LEASE-PURCHASE OF PRISON FACILITIES FROM PRIVATE FIRMS

SECTION 16C.10.(a) G.S. 148-37(i) reads as rewritten:

"(i) The Division of Adult Correction of the Department of Public Safety shall make a written report no later than March 1 of every ~~odd-numbered~~ year, beginning in 1997, on the substance of all outstanding contracts for the housing of State prisoners entered into under the authority of this section. The report shall be submitted to ~~the Council of State, the Department of Administration, the Joint Legislative Commission on Governmental Operations, and the Joint Legislative Oversight Committee on Justice and Public Safety.~~ In addition to the report, ~~the Division of Adult Correction of the Department of Public Safety shall provide information on contracts for the housing of State prisoners as requested by these groups."~~

SECTION 16C.10.(b) G.S. 148-37.2 is repealed.

ANNUAL REPORT ON SAFEKEEPERS

SECTION 16C.11. Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"§ 143B-707.4. Annual report on safekeepers.

The Department of Public Safety shall report by October 1 of each year to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on county prisoners housed in the State prison system pursuant to safekeeping orders under G.S. 162-39(b) to avoid security risks in county jails or due to insufficient or inadequate county facilities. The report shall include:

- (1) The number of safekeepers currently housed by the Department.
- (2) A list of the facilities where safekeepers are housed and the population of safekeepers by facility.
- (3) The average length of stay by a safekeeper in one of those facilities.
- (4) The amount paid by counties for housing and extraordinary medical care of safekeepers.
- (5) A list of the counties in arrears for safekeeper payments owed to the Department at the end of the fiscal year.

COLLECTION OF DELINQUENT SAFEKEEPER REIMBURSEMENTS

SECTION 16C.12. G.S. 148-10.4 is amended by adding a new subsection to read:

"(f) Upon notification from the Division of Adult Correction that an amount owed by a county for safekeeper reimbursements authorized under G.S. 162-39 is more than 120 days overdue, the Sheriffs' Association shall withhold funds from any reimbursements due to a county under this section and transmit those funds to the Division until that overdue safekeeper reimbursement is satisfied."

PRISON BEHAVIORAL HEALTH POSITIONS

SECTION 16C.13. Notwithstanding any other provision of law, the Section of Prisons of the Division of Adult Correction may post, advertise, accept applications for, and interview for positions established or authorized by this act related to behavioral health treatment prior to the effective date of the establishment of those positions.

PAROLE ELIGIBILITY REPORT

SECTION 16C.14. Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"§ 143B-721.1. Parole eligibility reports.

(a) Each fiscal year the Post-Release Supervision and Parole Commission shall, with the assistance of the North Carolina Sentencing and Policy Advisory Commission and the Department of Public Safety, analyze the amount of time each inmate who is eligible for parole on or before July 1 of the previous fiscal year has served compared to the time served by offenders under Structured Sentencing for comparable crimes. The Commission shall determine if the person has served more time in custody than the person would have served if sentenced to the maximum sentence under the provisions of Article 81B of Chapter 15A of the General Statutes. The "maximum sentence", for the purposes of this section, shall be calculated as set forth in subsection (b) of this section.

(b) For the purposes of this section, the following rules apply for the calculation of the maximum sentence:

- (1) The offense upon which the person was convicted shall be classified as the same felony class as the offense would have been classified if committed after the effective date of Article 81B of Chapter 15A of the General Statutes.
- (2) The minimum sentence shall be the maximum number of months in the presumptive range of minimum durations in Prior Record Level VI of

G.S. 15A-1340.17(c) for the felony class determined under subdivision (1) of this subsection. The maximum sentence shall be calculated using G.S. 15A-1340.17(d), (e), or (e1).

- (3) If a person is serving sentences for two or more offenses that are concurrent in any respect, then the offense with the greater classification shall be used to determine a single maximum sentence for the concurrent offenses. The fact that the person has been convicted of multiple offenses may be considered by the Commission in making its determinations under subsection (a) of this section.

(c) The Post-Release Supervision and Parole Commission shall report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and the Chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety by April 1 of each year. The report shall include the following: the class of the offense for which each parole-eligible inmate was convicted and whether an inmate had multiple criminal convictions. The Commission shall reinitiate the parole review process for each offender who has served more time than that person would have under Structured Sentencing as provided by subsections (a) and (b) of this section.

The Commission shall also report on the number of parole-eligible inmates reconsidered in compliance with this section and the number who were actually paroled."

PROBATION AND PAROLE VEHICLES

SECTION 16C.15.(a) G.S. 143-341 reads as rewritten:

"§ 143-341. Powers and duties of Department.

The Department of Administration has the following powers and duties:

...

(8) General Services:

...

- i. To establish and operate a central motor pool and such subsidiary related facilities as the Secretary may deem necessary, and to that end:

...

3. To require on a schedule determined by the Department all State agencies to transfer ownership, custody or control of any or all passenger motor vehicles within the ownership, custody or control of that agency to the Department, except those motor vehicles (i) under the ownership, custody or control of the Highway Patrol, the State Bureau of Investigation, or the constituent institutions of The University of North Carolina which are used primarily for law-enforcement ~~purposes.~~ purposes; or (ii) under the ownership, custody, or control of the Section of Community Corrections of the Division of Adult Correction of the Department of Public Safety that are used primarily for supervising offenders who have been placed on probation, parole, post-release supervision, or other community-based programs.

...."

SECTION 16C.15.(b) All vehicles exempted from motor fleet requirements under G.S. 143-341(8)i.3.(ii), as enacted by subsection (a) of this section, that are assigned to probation and parole positions in the Section of Community Corrections of the Division of Adult Correction of the Department of Public Safety and housed with the Department of

Administration as of June 30, 2015, are transferred to the Department of Public Safety effective July 1, 2015.

SECTION 16C.15.(c) Article 13 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"§ 143B-707.5. Probation and parole vehicles.

The Department of Public Safety shall be responsible for insuring, maintaining, and replacing as needed all vehicles under the ownership, custody, or control of the Section of Community Corrections of the Division of Adult Correction and exempted from the motor fleet requirements under G.S. 143-341(8)i.3.(ii) for use as probation and parole vehicles. The Department may contract with private vendors for the maintenance and upfitting of those vehicles or it may use resources within the Department for those purposes if the costs are equivalent or cost savings may be realized by doing so. The Department shall report annually to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on the number of vehicles being used as probation and parole vehicles, the replacement schedule for those vehicles, and the costs of fueling, insuring, and maintaining those vehicles."

SECTION 16C.15.(d) The Department of Administration shall transfer from the Motor Fleet Fund to the Department of Public Safety up to the sum of ten million one hundred twenty-one thousand sixty-nine dollars (\$10,121,069) during the 2015-2017 biennium for the purchase of vehicles for probation and parole officers.

SECTION 16C.15.(e) The Department of Public Safety may use funds appropriated to the Department for probation and parole vehicles to create new positions within the Department for the support and maintenance of those vehicles if it finds, pursuant to its authority under G.S. 143B-707.5, as enacted by subsection (c) of this section, that the costs are equivalent or that cost savings may be realized by using Department resources rather than contracting with private vendors. The Department shall report by July 1, 2016, to chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety on any positions created pursuant to this subsection.

INTERSTATE COMPACT FEES TO SUPPORT OPERATING NEEDS

SECTION 16C.16. G.S. 148-65.7(a) reads as rewritten:

"(a) Persons convicted in this State who make a request for transfer to another state pursuant to the compact shall pay a transfer application of two hundred fifty dollars (\$250.00) for each transfer application submitted. The transfer application fee shall be paid to the Compact Commissioner upon submission of the transfer application. The Commissioner or the Commissioner's designee may waive the application fee if either the Commissioner or the Commissioner's designee finds that payment of the fee will constitute an undue economic burden on the offender.

All fees collected pursuant to this section shall be deposited in the Interstate Compact Fund and shall be used ~~only~~ to support administration of the Interstate Compact. Compact and operational costs for the Section of Community Corrections of the Division of Adult Correction.

The Interstate Compact Fund is established within the Division of Adult Correction of the Department of Public Safety as a nonreverting, interest-bearing special revenue account. Accordingly, revenue in the Fund at the end of a fiscal year does not revert, and interest and other investment income earned by the Fund shall be credited to it. All moneys collected by the Division of Adult Correction of the Department of Public Safety pursuant to this subsection shall be remitted to the State Treasurer to be deposited and held in this Fund. Moneys in the Fund shall be used to supplement funds otherwise available to the Division of Adult Correction

1 of the Department of Public Safety for the administration of the Interstate ~~Compact~~. Compact
2 and operational costs for the Section of Community Corrections."
3

4 **SUBPART XVI-D. DIVISION OF JUVENILE JUSTICE**

5

6 **LIMIT USE OF COMMUNITY PROGRAM FUNDS**

7 **SECTION 16D.1.(a)** Funds appropriated in this act to the Department of Public
8 Safety for the 2015-2017 fiscal biennium for community program contracts that are not
9 required for or used for community program contracts shall only be used for the following:

- 10 (1) Other statewide residential programs that provide Level 2 intermediate
11 dispositional alternatives for juveniles.
- 12 (2) Statewide community programs that provide Level 2 intermediate
13 dispositional alternatives for juveniles.
- 14 (3) Regional programs that are collaboratives of two or more Juvenile Crime
15 Prevention Councils which provide Level 2 intermediate dispositional
16 alternatives for juveniles.
- 17 (4) The Juvenile Crime Prevention Council funds to be used for the Level 2
18 intermediate dispositional alternatives for juveniles listed in
19 G.S. 7B-2506(13) through (23).

20 **SECTION 16D.1.(b)** Under no circumstances shall funds appropriated by this act
21 to the Department of Public Safety for the 2015-2017 fiscal biennium for community programs
22 be used for staffing, operations, maintenance, or any other expenses of youth development
23 centers or detention facilities.

24 **SECTION 16D.1.(c)** The Department of Public Safety shall submit an electronic
25 report by October 1, 2015, and a second electronic report by October 1, 2016, on all
26 expenditures made from the miscellaneous contract line in Fund Code 1230 to the chairs of the
27 House of Representatives and Senate Appropriations Committees on Justice and Public Safety
28 and the Fiscal Research Division. The report shall include all of the following: an itemized list
29 of the contracts that have been executed, the amount of each contract, the date the contract was
30 executed, the purpose of the contract, the number of juveniles that will be served and the
31 manner in which they will be served, the amount of money transferred to the Juvenile Crime
32 Prevention Council fund, and an itemized list of grants allocated from the funds transferred to
33 the Juvenile Crime Prevention Council fund.
34

35 **STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

36 **SECTION 16D.2.** Funds appropriated in this act to the Department of Public
37 Safety for each fiscal year of the 2015-2017 fiscal biennium may be used as matching funds for
38 the Juvenile Accountability Incentive Block Grants. If North Carolina receives Juvenile
39 Accountability Incentive Block Grants or a notice of funds to be awarded, the Office of State
40 Budget and Management and the Governor's Crime Commission shall consult with the
41 Department of Public Safety regarding the criteria for awarding federal funds. The Office of
42 State Budget and Management, the Governor's Crime Commission, and the Department of
43 Public Safety shall report to the chairs of the House of Representatives and Senate
44 Appropriations Committees on Justice and Public Safety and the Joint Legislative Oversight
45 Committee on Justice and Public Safety prior to allocation of the federal funds. The report shall
46 identify the amount of funds to be received for the 2015-2016 fiscal year, the amount of funds
47 anticipated for the 2016-2017 fiscal year, and the allocation of funds by program and purpose.
48

49 **PART XVII. DEPARTMENT OF JUSTICE**

50

**NO HIRING OF SWORN STAFF POSITIONS FOR THE NORTH CAROLINA STATE
CRIME LABORATORY**

SECTION 17.1. The Department of Justice shall not hire sworn personnel to fill vacant positions in the North Carolina State Crime Laboratory. Nothing in this section shall be construed to require the termination of sworn personnel, but as vacant positions in the State Crime Laboratory are filled, they shall be filled only with nonsworn personnel. Nothing in this section shall be construed to affect North Carolina State Crime Laboratory personnel who are sworn and employed by the Laboratory as of the effective date of this section and who continue to meet the sworn status retention standards mandated by the North Carolina Criminal Justice Education and Standards Commission.

AMEND DNA DATABASE REPORTING REQUIREMENTS

SECTION 17.2. G.S. 15A-266.5(c) reads as rewritten:

"(c) The Crime Laboratory shall report annually to ~~the Joint Legislative Commission on Governmental Operations and to the~~ Joint Legislative Oversight Committee on Justice and Public Safety, on or before ~~February 1, September 1,~~ with information for the previous ~~calendar~~ fiscal year, which shall include: a summary of the operations and expenditures relating to the DNA Database and DNA Databank; the number of DNA records from arrestees entered; the number of DNA records from arrestees that have been expunged; and the number of DNA arrestee matches or hits that occurred with an unknown sample, and how many of those have led to an arrest and conviction; and how many letters notifying defendants that a record and sample have been expunged, along with the number of days it took to complete the expunction and notification process, from the date of the receipt of the verification form from the State."

COLLECT DNA/ALL VIOLENT FELONY ARRESTS

SECTION 17.3.(a) G.S. 15A-266.3A(f) reads as rewritten:

"(f) This section shall apply to a person arrested for violating any one of the following offenses in Chapter 14 of the General Statutes:

- (1) G.S. 14-16.6(b), Assault with a deadly weapon on executive, legislative, or court officer; and G.S. 14-16.6(c), Assault inflicting serious bodily injury on executive, legislative, or court officer.
- (1a) G.S. 14-17, First and Second Degree Murder.
- (2) G.S. 14-18, Manslaughter.
- (2a) Any felony offense in Article 6A, Unborn Victims.
- (3) Any offense in Article 7A, Rape and Other Sex Offenses.
- (4) G.S. 14-28, Malicious castration; G.S. 14-29, Castration or other maiming without malice aforethought; G.S. 14-30, Malicious maiming; G.S. 14-30.1, Malicious throwing of corrosive acid or alkali; G.S. 14-31, Maliciously assaulting in a secret manner; G.S. 14-32, Felonious assault with deadly weapon with intent to kill or inflicting serious injury; G.S. 14-32.4(a), G.S. 14-32.1(e), Aggravated assault or assault and battery on handicapped person; G.S. 14-32.2(a) when punishable pursuant to G.S. 14-32.2(b)(1), Patient abuse and neglect, intentional conduct proximately causes death; G.S. 14-32.3(a), Domestic abuse of disabled or elder adults resulting in injury; G.S. 14-32.4, Assault inflicting serious bodily injury; injury or injury by strangulation; G.S. 14-33.2, Habitual misdemeanor assault; G.S. 14-34.1, Discharging certain barreled weapons or a firearm into occupied property; G.S. 14-34.2, Assault with a firearm or other deadly weapon upon governmental officers or employees, company police officers, or campus police officers; G.S. 14-34.4, Adulterated or misbranded food, drugs, etc.; intent to cause serious injury or death; intent to

extort; G.S. 14-34.5, Assault with a firearm on a law enforcement, probation, or parole officer or on a person employed at a State or local detention facility; G.S. 14-34.6, Assault or affray on a firefighter, an emergency medical technician, medical responder, emergency department nurse, or emergency department physician; ~~and~~ G.S. 14-34.7, Assault inflicting serious injury on a law enforcement, probation, or parole officer or on a person employed at a State or local detention ~~facility~~; G.S. 14-34.9, Discharging a firearm from within an enclosure; and G.S. 14-34.10, Discharge firearm within enclosure to incite fear.

(5) Any offense in Article 10, Kidnapping and Abduction, or Article 10A, Human Trafficking.

(5a) Any offense in Article 13, Malicious Injury or Damage by Use of Explosive or Incendiary Device or Material.

(6) G.S. 14-51, First and second degree burglary; G.S. 14-53, Breaking out of dwelling house burglary; G.S. 14-54(a1), Breaking or entering buildings with intent to terrorize or injure; G.S. 14-54.1, Breaking or entering a place of religious worship; and G.S. 14-57, Burglary with explosives.

(7) Any offense in Article 15, Arson.

(8) G.S. 14-87, ~~Armed robbery~~; Common law robbery punishable pursuant to G.S. 14-87.1; and G.S. 14-88, Train robbery.

(8a) G.S. 14-163.1(a1), Assaulting a law enforcement agency animal, an assistance animal, or a search and rescue animal willfully killing the animal.

(9) Any offense which would require the person to register under the provisions of Article 27A of Chapter 14 of the General Statutes, Sex Offender and Public Protection Registration Programs.

(10) G.S. 14-196.3, Cyberstalking.

(10a) G.S. 14-202, Secretly peeping into room occupied by another person.

(10b) G.S. 14-258.2, Possession of dangerous weapon in prison resulting in bodily injury or escape; G.S. 14-258.3, Taking of hostage, etc., by prisoner; and G.S. 14-258.4, Malicious conduct by prisoner.

(11) G.S. 14-277.3A, Stalking.

(12) G.S. 14-288.9, Assault on emergency personnel with a dangerous weapon or substance.

(13) G.S. 14-288.21, Unlawful manufacture, assembly, possession, storage, transportation, sale, purchase, delivery, or acquisition of a nuclear, biological, or chemical weapon of mass destruction; exceptions; and G.S. 14-288.22, Unlawful use of a nuclear, biological, or chemical weapon of mass destruction.

(14) G.S. 14-318.4(a), Child abuse inflicting serious injury and G.S. 14-318.4(a3), Child abuse inflicting serious bodily injury.

(15) G.S. 14-360(a1), Cruelty to animals; maliciously kill by intentional deprivation of necessary sustenance; and G.S. 14-360(b), Cruelty to animals; maliciously torture, mutilate, maim, cruelly beat, disfigure, poison, or kill.

(16) G.S. 14-401.22(e), Attempt to conceal evidence of non-natural death by dismembering or destroying remains."

SECTION 17.3.(b) This section becomes effective December 1, 2015, and applies to arrests occurring on or after that date.

DEPARTMENT OF JUSTICE POSITIONS

SECTION 17.4. Notwithstanding any other provision of law, the Department of Justice may post, advertise, accept applications for, and interview for positions established or

authorized by this act in the Department of Justice prior to the effective date of the establishment of those positions.

STUDY THE IMPLEMENTATION AND USE OF BODY WORN CAMERAS BY LOCAL AND STATE LAW ENFORCEMENT OFFICERS

SECTION 17.5.(a) Definition. – The term "body-worn camera" means an operational video camera, including a microphone or other mechanism for allowing audio capture, affixed to a law enforcement officer's uniform and positioned in a way that allows the video camera to capture interactions the law enforcement officer has with the public.

SECTION 17.5.(b) Study. – The Criminal Justice Education and Training Standards Commission and the Sheriffs' Education and Training Standards Commission, in consultation with the School of Government at the University of North Carolina at Chapel Hill, the North Carolina Conference of District Attorneys, and any other organizations the Criminal Justice Education and Training Standards Commission and the Sheriffs' Education and Training Standards Commission jointly determine may assist with the completion of the study required under this section, shall jointly study the implementation and use of body-worn cameras by local and State law enforcement officers. The study shall consider all of the following:

- (1) The feasibility of equipping all law enforcement officers with a body-worn camera, including (i) identifying costs that would be incurred by State and local law enforcement agencies, (ii) funding options available to State and local law enforcement agencies for the procurement of body-worn cameras, and (iii) whether the use of body-worn cameras should be restricted to certain types of law enforcement officers.
- (2) The type and intensity of training a law enforcement officer should receive prior to using a body-worn camera.
- (3) The best practices and procedures for recording, including an identification of (i) situations when the law enforcement officer should activate the body-worn camera to record and (ii) situations in which the law enforcement officer should deactivate the body-worn camera or seek permission prior to recording.
- (4) The best practices and procedures for retaining and storing any recordings captured by body-worn cameras, including (i) the costs of retention and storage, (ii) the types of recordings that should be retained and stored, and (iii) the standard retention and storage schedules for the different types of recordings.
- (5) The level of public access which should be allowed to recordings captured by body-worn cameras, including any legislative changes necessary to allow public access.
- (6) Any potential constitutional or other legal issues that may arise from the use of body-worn cameras by law enforcement officers.
- (7) Any other matters or information the Criminal Justice Education and Training Standards Commission and the Sheriffs' Education and Training Standards Commission jointly deem relevant to the study.

SECTION 17.5.(c) Report. – The Criminal Justice Education and Training Standards Commission and the Sheriffs' Education and Training Standards Commission shall jointly report their findings and recommendations, including any legislative proposals, by May 1, 2016, to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety.

PART XVIII. JUDICIAL DEPARTMENT

SUBPART XVIII-A. ADMINISTRATIVE OFFICE OF THE COURTS**AOC ANNUAL REPORT**

SECTION 18A.1. G.S. 7A-343 reads as rewritten:

"§ 7A-343. Duties of Director.

The Director is the Administrative Officer of the Courts, and the Director's duties include all of the following:

...

- (8) Prepare and submit an annual report on the work of the Judicial Department to the Chief Justice, and transmit a copy by March 15 of each year to the Chairs of the House of Representatives and Senate Appropriations Subcommittee-Committees on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety and to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety.

...."

CONSOLIDATE BUSINESS COURT REPORTS

SECTION 18A.2. G.S. 7A-343(8a) is repealed.

ANNUAL REPORT ON CRIMINAL COURT COST WAIVERS

SECTION 18A.3. Article 29 of Chapter 7A of the General Statutes is amended by adding a new section to read:

"§ 7A-350. Annual report on criminal court cost waivers.

The Administrative Office of the Courts shall maintain records of all cases in which a judge makes a finding of just cause to grant a waiver of criminal court costs under G.S. 7A-304(a) and shall report on those waivers to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by February 1 of each year. The report shall aggregate the waivers by the district in which the waiver or waivers were granted and by the name of each judge granting a waiver or waivers."

GRANT FUNDS

SECTION 18A.4. Notwithstanding G.S. 143C-6-9, the Administrative Office of the Courts may use up to the sum of one million five hundred thousand dollars (\$1,500,000) from funds available to the Department to provide the State match needed in order to receive grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety on the grants to be matched using these funds.

COLLECTION OF WORTHLESS CHECK FUNDS

SECTION 18A.5. Notwithstanding the provisions of G.S. 7A-308(c), the Judicial Department may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2015, for the purchase or repair of office or information technology equipment during the 2015-2016 fiscal year. Prior to using any funds under this section, the Judicial Department shall report to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the Office of State Budget and Management on the equipment to be purchased or repaired and the reasons for the purchases.

REIMBURSEMENT FOR USE OF PERSONAL VEHICLES

1 **SECTION 18A.6.** Notwithstanding the provisions of G.S. 138-6(a)(1), the Judicial
2 Department, during the 2015-2017 fiscal biennium, may elect to establish a per-mile
3 reimbursement rate for transportation by privately owned vehicles at a rate less than the
4 business standard mileage rate set by the Internal Revenue Service.

5
6 **CONFERENCE OF DISTRICT ATTORNEY GRANT FUNDS**

7 **SECTION 18A.7.** Section 18B.4 of S.L. 2013-360 reads as rewritten:

8 "**SECTION 18B.4.** Of the funds appropriated in this act to the Judicial Department, the
9 sum of five hundred thousand dollars (\$500,000) in the 2013-2014 fiscal year shall be allocated
10 to the Conference of District Attorneys and shall be used to establish a grant fund to provide
11 district attorneys across the State with the resources to obtain toxicology analysis from local
12 hospitals on persons charged with driving while impaired whose conduct did not result in
13 serious injury or death to others. The Conference of District Attorneys shall report to the Chairs
14 of the Joint Legislative Oversight Committee on Justice and Public Safety ~~by October 1, 2014,~~
15 on the expenditure of these funds by October 1 of each year until all of the grant funds
16 have been expended."

17
18 **DISTRICT ATTORNEY LEGAL ASSISTANTS**

19 **SECTION 18A.8.(a)** G.S. 7A-347 reads as rewritten:

20 "~~§ 7A-347. Assistants for administrative and victim and witness services.~~District attorney
21 legal assistants.

22 ~~Assistant for administrative and victim and witness services.~~District attorney legal assistant
23 positions are established under the district attorneys' offices. Each prosecutorial district is
24 allocated at least one ~~assistant for administrative and victim and witness services.~~district
25 attorney legal assistant to be employed by the district attorney. The Administrative Office of
26 the Courts shall allocate additional assistants to prosecutorial districts on the basis of need and
27 within available appropriations. Each district attorney may also use any volunteer or other
28 personnel to assist the assistant. The assistant is responsible for coordinating efforts of the
29 law-enforcement and judicial systems to assure that each victim and witness is provided fair
30 treatment under Article 45 of Chapter 15A, Fair Treatment for Victims and Witnesses and shall
31 also provide administrative and legal support to the district attorney's office."

32 **SECTION 18A.8.(b)** G.S. 7A-348 reads as rewritten:

33 "~~§ 7A-348. Training and supervision of assistants for administrative and victim and~~
34 ~~witness services.~~district attorney legal assistants.

35 Pursuant to the provisions of G.S. 7A-413, the Conference of District Attorneys shall:

- 36 (1) Assist in establishing uniform statewide training for ~~assistants for~~
37 ~~administrative and victim and witness services;~~district attorney legal
38 assistants; and
39 (2) Assist in the implementation and supervision of this program."

40 **SECTION 18A.8.(c)** G.S. 15A-826 reads as rewritten:

41 "~~§ 15A-826. Assistants for administrative and victim and witness services.~~District
42 attorney legal assistants.

43 In addition to providing administrative and legal support to the district attorney's office,
44 ~~assistants for administrative and victim and witness services.~~district attorney legal assistants are
45 responsible for coordinating efforts within the law-enforcement and judicial systems to assure
46 that each victim and witness is treated in accordance with this Article."

47
48 **REPORT ON DISMISSALS DUE TO DELAY IN ANALYSIS OF EVIDENCE**

49 **SECTION 18A.9.** Whenever a criminal case is dismissed as a direct result of a

50 delay in the analysis of evidence by the State Crime Laboratory, the district attorney for the
51 district in which the case was dismissed shall report that dismissal and the facts surrounding it

to the Conference of District Attorneys. The Conference of District Attorneys shall compile any such reports of dismissals and shall report them quarterly starting October 30, 2015, to the chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and to the chairs of the Joint Legislative Oversight Committee on Justice and Public Safety.

ALLOCATION OF ASSISTANT DISTRICT ATTORNEYS

SECTION 18A.10.(a) G.S. 7A-60 reads as rewritten:

"§ 7A-60. District attorneys and prosecutorial districts.

...

(a1) The counties of the State are organized into prosecutorial districts, and each district has the counties ~~and the number of full-time assistant district attorneys~~ set forth in the following table:

Prosecutorial District	Counties	No. of Full-Time Asst. District Attorneys
1	Camden, Chowan, Currituck, Dare, Gates, Pasquotank, Perquimans	11
2	Beaufort, Hyde, Martin, Tyrrell, Washington	8
3A	Pitt	11
3B	Carteret, Craven, Pamlico	12
4	Duplin, Jones, Onslow, Sampson	18
5	New Hanover, Pender	18
6	Bertie, Halifax, Hertford, Northampton	10
7	Edgecombe, Nash, Wilson	18
8	Greene, Lenoir, Wayne	14
9	Franklin, Granville, Vance, Warren	10
9A	Person, Caswell	6
10	Wake	11
11A	Harnett, Lee	9
11B	Johnston	10
12	Cumberland	23
13	Bladen, Brunswick, Columbus	13
14	Durham	18
15A	Alamance	11
15B	Orange, Chatham	10
16A	Scotland, Hoke	7
16B	Robeson	12
16C	Anson, Richmond	6
17A	Rockingham	7
17B	Stokes, Surry	8
18	Guilford	32
19A	Cabarrus	9
19B	Montgomery, Randolph	9
19C	Rowan	8
19D	Moore	5

1	20A		5
2		Stanly	
3	20B	Union	10
4	21	Forsyth	25
5	22A	Alexander, Iredell	11
6	22B	Davidson, Davie	11
7	23	Alleghany, Ashe, Wilkes,	8
8		Yadkin	
9	24	Avery, Madison, Mitchell,	7
10		Watauga, Yancey	
11	25	Burke, Caldwell, Catawba	18
12	26	Mecklenburg	58
13	27A	Gaston	14
14	27B	Cleveland,	11
15		Lincoln	
16	28	Buncombe	14
17	29A	McDowell, Rutherford	7
18	29B	Henderson, Polk, Transylvania	8
19	30	Cherokee, Clay, Graham,	10
20		Haywood, Jackson, Macon,	
21		Swain.	

(a2) ~~Upon the convening of each regular session of the General Assembly and its reconvening in the even-numbered year, the~~ The Administrative Office of the Courts shall report by March 15 of each year on its recommendations regarding the allocation of assistant district attorneys for the upcoming fiscal biennium and fiscal year to the General Assembly, including any request for additional assistant district attorneys. The report shall include the number of assistant district attorneys that the Administrative Office of the Courts recommends to be allocated to each prosecutorial district and the workload formula established through the National Center for State Courts on which each recommended allocation is based. Any reports required under this subsection shall be made to ~~the Joint Legislative Commission of Governmental Operations,~~ the House of Representatives and Senate Appropriations Subcommittees/Committees on Justice and Public, and the Fiscal Research Division.

...."

SECTION 18A.10.(b) The Administrative Office of the Courts, in conjunction with the National Center for State Courts and the Conference of District Attorneys, shall revisit the workload formula used to determine the allocation of assistant district attorneys under G.S. 7A-60 and determine whether any adjustments should be made to the formula. The Administrative Office of the Courts shall report by May 1, 2016, to the chairs of the Joint Legislative Committee on Justice and Public Safety and the chairs of House of Representatives and Senate Appropriations Committees on Justice and Public Safety on the conclusions reached about the workload formula and any recommendations for adjustments.

AMEND COURT COSTS

SECTION 18A.11. G.S. 7A-304(a) reads as rewritten:

"(a) In every criminal case in the superior or district court, wherein the defendant is convicted, or enters a plea of guilty or nolo contendere, or when costs are assessed against the prosecuting witness, the following costs shall be assessed and collected. No costs may be assessed when a case is dismissed. Only upon entry of a written order, supported by findings of fact and conclusions of law, determining that there is just cause, the court may (i) waive costs assessed under this section or (ii) waive or reduce costs assessed under subdivision (7), (8), (8a), (11), (12), or (13) of this section.

1 ...
2 (2b) ~~For the maintenance of misdemeanors in county jails, the sum of eighteen~~
3 ~~dollars (\$18.00) in the district court to be remitted to the Statewide~~
4 ~~Misdemeanor Confinement Fund in the Division of Adult Correction of the~~
5 ~~Department of Public Safety.~~

6 ...
7 (4) For support of the General Court of Justice, the sum of ~~one hundred~~
8 ~~twenty-nine dollars and fifty cents (\$129.50)~~ one hundred forty-seven dollars
9 and fifty cents (\$147.50) in the district court, including cases before a
10 magistrate, and the sum of one hundred fifty-four dollars and fifty cents
11 (\$154.50) in the superior court, to be remitted to the State Treasurer. For a
12 person convicted of a felony in superior court who has made a first
13 appearance in district court, both the district court and superior court fees
14 shall be assessed. The State Treasurer shall remit the sum of one dollar and
15 fifty cents (\$1.50) of each fee collected under this subdivision to the North
16 Carolina State Bar for the provision of services described in G.S. 7A-474.4,
17 and ninety-five cents (\$.95) of each fee collected under this subdivision to
18 the North Carolina State Bar for the provision of services described in
19 G.S. 7A-474.19.

20 ...
21 (4b) ~~To provide for contractual services to reduce county jail populations, For~~
22 additional support of the General Court of Justice, the sum of fifty dollars
23 (\$50.00) for all offenses arising under Chapter 20 of the General Statutes
24 and resulting in a conviction of an improper equipment offense, to be
25 remitted to the Statewide Misdemeanor Confinement Fund in the Division of
26 Adult Correction of the Department of Public Safety. State Treasurer.

27"

28 29 AMEND CERTIFICATE OF RELIEF/FEE

30 SECTION 18A.12.(a) G.S. 15A-173.2(a) reads as rewritten:

31 "(a) An individual who is convicted of ~~no more than two Class G, H, or I felonies or~~
32 ~~misdemeanors in one session of court, and who has no other convictions for a felony or~~
33 ~~misdemeanor other than a traffic violation,~~ criminal offenses no higher than a Class G felony
34 may petition the court where the individual was convicted of his or her most serious offense for
35 a Certificate of Relief relieving collateral consequences as permitted by this Article. Except as
36 otherwise provided in this subsection, after payment by the petitioner of the fee required by
37 G.S. 7A-313.2, the petition shall be heard by the senior resident superior court judge if the
38 convictions were in superior court, or the chief district court judge if the convictions were in
39 district court. The senior resident superior court judge and chief district court judge in each
40 district may delegate their authority to hold hearings and issue, modify, or revoke Certificates
41 of Relief to judges, clerks, or magistrates in that district."

42 SECTION 18A.12.(b) Article 28 of Chapter 7A of the General Statutes is amended
43 by adding a new section to read:

44 "§ 7A-313.2. Certificate of relief fee.

45 A person who petitions the court for a Certificate of Relief pursuant to Article 6 of this
46 Chapter shall pay an administrative fee of fifty dollars (\$50.00) at the time of the filing of the
47 petition. The fee shall be remitted to the State Treasurer for support of the General Court of
48 Justice."

49 SECTION 18A.12.(c) This section becomes effective October 1, 2015, and applies
50 to certificates issued on or after that date.
51

FAMILY COURT PROGRAMS

SECTION 18A.13. The Administrative Office of the Courts shall provide direction and oversight to the existing family court programs in order to ensure that each district with a family court program is utilizing best practices and is working effectively and efficiently in the disposition of domestic and juvenile cases. The Administrative Office of the Courts shall report on its efforts in this regard and the results of those efforts to the chairs of the House of Representatives and Senate Appropriations Committee on Justice and Public Safety and the Joint Legislative Oversight Committee on Justice and Public Safety by March 1 of each year.

SPECIALTY COURTS/USE CLERK OF COURT PERSONNEL AND RESOURCES

SECTION 18A.14. Article 14 of Chapter 7A of the General Statutes is amended by adding a new section to read:

"§ 7A-146.1. Specialty sessions of court; use of clerk of court personnel and resources.

Upon the request of a clerk of court or district attorney, or upon the judge's own initiative, a chief district court judge may, pursuant to the judge's authority under G.S. 7A-146(7) to arrange sessions for the trial of specialized cases, authorize the establishment in the district court district of the holding of sessions of court in which related specialized cases or matters are adjudicated, including the holding of family court, drug treatment court, veterans' court, DWI court, mental health court, or any other innovative use of a session of court. With the consent of the clerk of superior court, the court may make use of the personnel and resources of the clerk's office to administer these specialty sessions."

COMPENSATION OF COURT REPORTERS

SECTION 18A.15. Section 18B.21A of S.L. 2013-360 is repealed.

INNOCENCE INQUIRY COMMISSION

SECTION 18A.16. G.S. 15A-1462 reads as rewritten:

"§ 15A-1462. Commission established.

(a) There is established the North Carolina Innocence Inquiry Commission. The North Carolina Innocence Inquiry Commission shall be an independent commission under the ~~Judicial Department~~ Administrative Office of the Courts for administrative purposes.

(b) The Administrative Office of the Courts shall provide administrative support to the Commission as needed. The Director of the Administrative Office of the Courts shall not reduce or modify the budget of the Commission or use funds appropriated to the Commission without the approval of the Commission. The Administrative Office of the Courts shall conduct an annual audit of the Commission."

TRANSFER OFFICE OF INDIGENT DEFENSE SERVICES TO THE ADMINISTRATIVE OFFICE OF THE COURTS

SECTION 18A.17. G.S. 7A-498.2 reads as rewritten:

"§ 7A-498.2. Establishment of Office of Indigent Defense Services.

(a) The Office of Indigent Defense Services, which is administered by the Director of Indigent Defense Services and includes the Commission on Indigent Defense Services and the Sentencing Services Program established in Article 61 of this Chapter, is created within the ~~Judicial Department~~ Administrative Office of the Courts. As used in this Article, "Office" means the Office of Indigent Defense Services, "Director" means the Director of Indigent Defense Services, and "Commission" means the Commission on Indigent Defense Services.

(b) The Office of Indigent Defense Services shall exercise its prescribed powers independently of the head of the Administrative Office of the Courts. The Office may enter into contracts, own property, and accept funds, grants, and gifts from any public or private source to pay expenses incident to implementing its purposes.

(c) The Director of the Administrative Office of the Courts shall provide general administrative support to the Office of Indigent Defense Services. The term "general administrative support" includes purchasing, payroll, and similar administrative services.

(d) The budget of the Office of Indigent Defense Services shall be a part of the ~~Judicial Department's budget.~~ budget of the Administrative Office of the Courts. The Commission on Indigent Defense Services shall consult with the Director of the Administrative Office of the Courts, who shall assist the Commission in preparing and presenting to the General Assembly the Office's budget, but the Commission shall have the final authority with respect to preparation of the Office's budget and with respect to representation of matters pertaining to the Office before the General Assembly. The Administrative Office of the Courts shall conduct an annual audit of the budget of the Office of Indigent Defense Services.

(e) The Director of the Administrative Office of the Courts shall not reduce or modify the budget of the Office of Indigent Defense Services or use funds appropriated to the Office without the approval of the Commission."

STUDY FUTURE OF INDIGENT DEFENSE SERVICES COMMISSION AND INNOCENCE INQUIRY COMMISSION

SECTION 18A.18. The Legislative Research Commission shall study:

- (1) The Office of Indigent Defense Services and determine whether changes should be made to the ways in which appropriated funds are used to provide legal assistance and representation to indigent persons.
- (2) The North Carolina Innocence Inquiry Commission and determine whether changes should be made to the way in which the Commission investigates and determines credible claims of factual innocence made by criminal defendants.

The Legislative Research Commission shall report its findings and recommendations, including any proposed legislation, to the 2015 General Assembly when it reconvenes in 2016.

SUBPART XVIII-B. OFFICE OF INDIGENT DEFENSE SERVICES

INDIGENT DEFENSE SERVICES ANNUAL REPORT DATE CHANGE

SECTION 18B.1. G.S. 7A-498.9 reads as rewritten:

"§ 7A-498.9. Annual report on Office of Indigent Defense Services.

The Office of Indigent Defense Services shall report to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and to the Chairs of the House of Representatives ~~Subcommittee and Senate Committees~~ on Justice and Public Safety ~~and the Senate Appropriations Committee on Justice and Public Safety~~ by ~~February 1~~ March 15 of each year on the following:

- (1) The volume and cost of cases handled in each district by assigned counsel or public defenders;
- (2) Actions taken by the Office to improve the cost-effectiveness and quality of indigent defense services, including the capital case program;
- (3) Plans for changes in rules, standards, or regulations in the upcoming year; and
- (4) Any recommended changes in law or funding procedures that would assist the Office in improving the management of funds expended for indigent defense services, including any recommendations concerning the feasibility and desirability of establishing regional public defender offices."

OFFICE OF INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS

SECTION 18B.2. Notwithstanding G.S. 143C-6-9, during the 2015-2017 fiscal biennium, the Office of Indigent Defense Services may use the sum of up to fifty thousand dollars (\$50,000) from funds available to provide the State matching funds needed to receive grant funds. Prior to using funds for this purpose, the Office shall report to the Chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety on the grants to be matched using these funds.

REPORTS ON CRIMINAL CASE INFORMATION SYSTEM

SECTION 18B.3. Section 18B.10 of S.L. 2014-100, as amended by Section 18A.2 of S.L. 2013-360, reads as rewritten:

"SECTION 18B.10. The Administrative Office of the Courts, in consultation with the Office of Indigent Defense Services, shall use the sum of three hundred fifty thousand dollars (\$350,000) in funds available to the Administrative Office of the Courts for the 2013-2015 fiscal biennium and the sum of three hundred fifty thousand dollars (\$350,000) in funds available to the Office of Indigent Defense Services for the 2013-2015 fiscal biennium to develop or acquire and to implement a component of the Department's criminal case information system for use by public defenders no later than February 1, 2015. The Administrative Office of the Courts shall make ~~an interim report~~ interim reports on the development and implementation of this system by February 1, 2014, and July 1, 2015, and a ~~final report on the completed implementation of the system by July 1, 2015~~, by February 1 of each year through the completed implementation of the system to the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety and to the Chairs of the House of Representatives and Senate Appropriations ~~Subcommittee~~ Committees on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety."

STUDY EFFICIENCY OF ESTABLISHING A SYSTEM OF AUTOMATED KIOSKS IN LOCAL CONFINEMENT FACILITIES TO ALLOW ATTORNEYS REPRESENTING INDIGENT DEFENDANTS TO CONSULT WITH THEIR CLIENTS REMOTELY

SECTION 18B.4.(a) The Office of Indigent Defense Services shall study and determine whether savings can be realized through the establishment of a system of fully automated kiosks in local confinement facilities to allow attorneys representing indigent defendants to consult with their clients remotely. The system would incorporate technology through which meetings between attorneys and their clients cannot be monitored or recorded.

SECTION 18B.4.(b) The Office of Indigent Defense Services shall report its findings and recommendations, including recommendations of at least two potential pilot sites for the proposed system, to the Chairs of the House of Representatives and Senate Appropriations Committees on Justice and Public Safety and the Chairs of the Joint Legislative Oversight Committee on Justice and Public Safety by February 1, 2016.

PART XIX. DEPARTMENT OF CULTURAL RESOURCES

TECHNICAL CORRECTIONS RELATING TO ROANOKE ISLAND COMMISSION LEGAL COUNSEL AND USS NORTH CAROLINA BATTLESHIP REPAIRS

SECTION 19.1.(a) G.S. 143B-131.7 is repealed.

SECTION 19.1.(b) Section 36.10 of S.L. 2014-100 reads as rewritten:

"SECTION 36.10. The General Assembly authorizes USS North Carolina Battleship hull and cofferdam repairs to be funded at a maximum cost of thirteen million dollars (\$13,000,000) in accordance with this section. The sum of three million dollars (\$3,000,000) of the proceeds of bonds issued pursuant to Section 36.12(f)(7) of this act shall be used for this project. The remainder of the project shall be funded with receipts or from other non-General Fund sources

available to the Department of Cultural Resources, and those funds are hereby appropriated for that purpose."

PART XX. DEPARTMENT OF INSURANCE

INSURANCE REGULATORY CHARGE

SECTION 20.1. The percentage rate to be used in calculating the insurance regulatory charge under G.S. 58-6-25 is six and one-half percent (6.5%) for the 2016 calendar year.

PART XXI. DEPARTMENT OF THE STATE TREASURER

UPDATE ORBIT RETIREMENT SYSTEM

SECTION 21.1. The Department of State Treasurer, Retirement Systems Division, may use funds from receipts up to eight hundred fifty thousand dollars (\$850,000) for the purpose of upgrading the Online Retirement Benefits through Integrated Technology self-service retirement system.

PART XXII. OFFICE OF ADMINISTRATIVE HEARINGS

WAYNESVILLE ADMINISTRATIVE LAW JUDGE

SECTION 22.1. The Office of Administrative Hearings shall identify office space for the administrative law judge to be located in the Town of Waynesville. In selecting office space, the Office of Administrative Hearings will only consider locations that do not impose a financial burden to the State. The Office is authorized to identify other State-owned properties in the town and work with State officials to locate office space that satisfies the requirements of this section. The Office of Administrative Hearings may provide support staff for the administrative law judge to be located in the Town of Waynesville; provided, there is no financial burden to the State as a result.

PART XXIII. OFFICE OF STATE BUDGET AND MANAGEMENT

SYMPHONY CHALLENGE GRANT

SECTION 23.1.(a) Of the funds appropriated in this act to the Office of State Budget and Management, Special Appropriations, the sum of two million dollars (\$2,000,000) in nonrecurring funds for the 2015-2016 fiscal year and the sum of two million dollars (\$2,000,000) in nonrecurring funds for the 2016-2017 fiscal year shall be allocated to the North Carolina Symphony in accordance with this section. It is the intent of the General Assembly that the North Carolina Symphony raise at least nine million dollars (\$9,000,000) in non-State funds for the 2015-2016 fiscal year and at least nine million dollars (\$9,000,000) in non-State funds for the 2016-2017 fiscal year. The North Carolina Symphony cannot use funds transferred from the organization's endowment to its operating budget to achieve the fund-raising targets set out in subsections (b) and (c) of this section.

SECTION 23.1.(b) For the 2015-2016 fiscal year, the North Carolina Symphony shall receive allocations from the Office of State Budget and Management as follows:

- (1) Upon raising the initial sum of four million dollars (\$4,000,000) in non-State funding, the North Carolina Symphony shall receive the sum of six hundred thousand dollars (\$600,000).
- (2) Upon raising an additional sum of two million dollars (\$2,000,000) in non-State funding for a total amount of six million dollars (\$6,000,000) in

- 1 non-State funds, the North Carolina Symphony shall receive the sum of
2 seven hundred thousand dollars (\$700,000).
3 (3) Upon raising an additional sum of three million dollars (\$3,000,000) in
4 non-State funding for a total amount of nine million dollars (\$9,000,000) in
5 non-State funds, the North Carolina Symphony shall receive the final sum of
6 seven hundred thousand dollars (\$700,000) in the 2015-2016 fiscal year.

7 **SECTION 23.1.(c)** For the 2016-2017 fiscal year, the North Carolina Symphony
8 shall receive allocations from the Office of State Budget and Management as follows:

- 9 (1) Upon raising the initial sum of four million dollars (\$4,000,000) in non-State
10 funding, the North Carolina Symphony shall receive the sum of six hundred
11 thousand dollars (\$600,000).
12 (2) Upon raising an additional sum of two million dollars (\$2,000,000) in
13 non-State funding for a total amount of six million dollars (\$6,000,000) in
14 non-State funds, the North Carolina Symphony shall receive the sum of
15 seven hundred thousand dollars (\$700,000).
16 (3) Upon raising an additional sum of three million dollars (\$3,000,000) in
17 non-State funding for a total amount of nine million dollars (\$9,000,000) in
18 non-State funds, the North Carolina Symphony shall receive the final sum of
19 seven hundred thousand dollars (\$700,000) in the 2016-2017 fiscal year.
20

21 **HOSPITAL MEDICAL RESIDENCIES**

22 **SECTION 23.2.** It is the intent of the General Assembly to appropriate funds in the
23 2016-2017 fiscal year to be allocated if Cape Fear Valley Hospital is granted a rural
24 reclassification by the federal government, and the Centers for Medicare and Medicaid Services
25 grants additional residency slots to be reimbursed with Graduate Medical Education residency
26 payments. The Office of State Budget and Management shall monitor whether the
27 reclassification and additional residency slots described in this section have been achieved by
28 June 30, 2016.
29

30 **PART XXIV. DEPARTMENT OF MILITARY VETERANS**

31 **ESTABLISH DEPARTMENT OF MILITARY AND VETERANS AFFAIRS**

32 **CREATION OF DEPARTMENT**

33
34 **SECTION 24.1.(a)** The Department of Military and Veterans Affairs is established
35 as a new executive department. All functions, powers, duties, and obligations vested in the
36 following agencies are transferred to, vested in, and consolidated within the Department of
37 Military and Veterans Affairs by a Type I transfer, as defined in G.S. 143A-6:
38

- 39 (1) The following components of the Department of Administration:
40 a. The Veterans' Affairs Commission.
41 b. The Governor's Jobs for Veterans Committee.
42 c. The Division of Veterans Affairs.
43 (2) The North Carolina Military Affairs Commission in the Office of the
44 Governor.

45 **SECTION 24.1.(b)** Chapter 143B of the General Statutes is amended by adding a
46 new Article to read:

47 "Article 14.

48 "Department of Military and Veterans Affairs.

49 "Part 1. General Provisions.

50 "§ 143B-1210. Organization.

(a) There is established the Department of Military and Veterans Affairs. The head of the Department of Military and Veterans Affairs is the Secretary of Military and Veterans Affairs, who shall be known as the Secretary.

(b) The powers and duties of the deputy secretaries and the divisions and directors of the Department shall be subject to the direction and control of the Secretary of Military and Veterans Affairs.

"§ 143B-1211. Power and duties of the Department of Military and Veterans Affairs.

It shall be the duty of the Department of Military and Veterans Affairs to do all of the following:

- (1) Provide active outreach to the U.S. Department of Defense and the U.S. Department of Homeland Security and their associated establishments in North Carolina in order to support the military installations and activities in the State, to enhance North Carolina's current military-friendly environment and foster and promote business, technology, transportation, education, economic development, and other efforts in support of the mission, execution, and transformation of the U.S. government military and national defense activities located in the State.
- (2) Promote the industrial and economic development of localities included in or adjacent to U.S. government military and national defense activities and those of the State.
- (3) Provide technical assistance and coordination between the State, its political subdivisions, and the U.S. military and national defense activities within the State of North Carolina.
- (4) Award grants to local governments, State and federal agencies, and private entities at the direction of the Secretary. The number of grants awarded and the level of funding of each grant for each fiscal year shall be contingent upon and determined by funds appropriated for that purpose by the General Assembly.
- (5) Provide active outreach to the U.S. Department of Veterans Affairs, the veterans service organizations, and the veterans community in North Carolina to support and assist North Carolina's veterans in identifying and obtaining the services, assistance, and support to which they are entitled, including monitoring efforts to provide services to veterans, newly separating service members, and their immediate family members and disseminating relevant materials.
- (6) Monitor and enhance efforts to provide assistance and support for veterans living in North Carolina and members of the North Carolina National Guard and North Carolina residents in the Armed Forces Reserves not in active federal service in the areas of (i) medical care, (ii) mental health and rehabilitative services, (iii) housing, (iv) homelessness prevention, (v) job creation, and (vi) education.
- (7) Seek and receive monies from any source, including federal funds, gifts, grants, and devises, which shall be expended for the purposes designated in this Article.
- (8) Provide active outreach, coordination, formal training and standards, and official certification to localities of the State and veterans support organizations in the development, implementation, and review of local veterans services programs as part of the State program.
- (9) Work with veterans services organizations and counterparts in other states to monitor and encourage the timely and accurate processing of veterans' benefit requests by the U.S. Department of Veterans Affairs, including

- 1 requests for service connected to health care, mental health care, and
2 disability payments.
- 3 (10) Manage and maintain the State's veterans nursing homes and cemeteries and
4 their associated assets to the standard befitting those who have worn the
5 uniform of the Armed Forces according to federal guidelines. Plan for
6 expansion and grow the capacity of these facilities and any new facilities as
7 required pending the availability of designated funds.
- 8 (11) Manage and maintain the State's Scholarships for Children of Wartime
9 Veterans in accordance with Part 2 of Article 14 of Chapter 143B of the
10 General Statutes and in support of the Veterans' Affairs Commission.
- 11 (12) Provide administrative, organizational, and funding support to the NC
12 Military Affairs Commission and the Governor's Working Group for
13 Veterans.
- 14 (13) To work with federal officials to obtain additional federal resources and
15 coordinate veterans policy development and information exchange.
- 16 (14) To work with the appropriate heads of the principal departments to
17 coordinate working relationships between State agencies and take all actions
18 necessary to ensure that available federal and State resources are directed
19 toward assisting veterans and addressing all issues of mutual concern to the
20 State and the Armed Forces of the United States, including, but not limited
21 to, quality of life issues unique to North Carolina's military personnel and
22 their families, the quality of educational opportunities for military children,
23 the future of federal impact aid, preparedness, public safety and security
24 concerns, transportation needs, alcoholic beverage law enforcement,
25 substance abuse, social service needs, possible expansion and growth of
26 military facilities in the State, and intergovernmental support agreements
27 with state and local governments.
- 28 (15) To educate the public on veterans and defense issues in coordination with
29 applicable State agencies.
- 30 (16) To adopt rules and procedures for the implementation of this section.
- 31 (17) To assist veterans, their families, and dependents in the presentation,
32 processing, proof, and establishment of such claims, privileges, rights, and
33 benefits as they may be entitled to under federal, State, or local laws, rules,
34 and regulations.
- 35 (18) To aid persons in active military service and their dependents with problems
36 arising out of that service that come reasonably within the purview of the
37 Department's program of assistance.
- 38 (19) To collect data and information as to the facilities and services available to
39 veterans, their families, and dependents and to cooperate with agencies
40 furnishing information or services throughout the State in order to inform
41 such agencies regarding the availability of (i) education, training, and
42 retraining facilities; (ii) health, medical, rehabilitation, and housing services
43 and facilities; (iii) employment and reemployment services; (iv) provisions
44 of federal, State, and local laws, rules, and regulations affording rights,
45 privileges, and benefits to veterans, their families, and dependents, and in
46 respect to such other matters of similar, related, or appropriate nature not
47 herein set out.
- 48 (20) To establish such field offices, facilities, and services throughout the State as
49 may be necessary to carry out the purposes of this Article.

- (21) To cooperate, as the Department deems appropriate, with governmental, private, and civic agencies and instrumentalities in securing services or benefits for veterans, their families, dependents, and beneficiaries.
- (22) To enter into any contract or agreement with any person, business, governmental agency, or other entity in furtherance of the purposes of this Article.
- (23) To train, assist, and provide guidance to the employees of any county, city, town, or Indian tribe who are engaged in veterans service. Authority is hereby granted to the governing body of any county, city, or town to appropriate such amounts as it may deem necessary to provide a veterans service program and the expenditure of such funds is hereby declared to be for a public purpose; such program shall be operated in affiliation with this Department as set forth above and in compliance with Department policies and procedures.

"§ 143B-1212. Personnel of the Department of Military and Veterans Affairs.

Notwithstanding G.S. 114-2.3, the Secretary of Military and Veterans Affairs shall have the power to appoint all employees, including consultants and legal counsel, necessary to carry out the powers and duties of the office. These employees shall be subject to the North Carolina Human Resources Act, except that employees in positions designated as exempt under G.S. 126-5(d)(1) are not subject to the Act, in accordance with the provisions of that section.

"§ 143B-1213. Definitions.

Except where provided otherwise, the following definitions apply in this Chapter:

- (1) Department. – The Department of Military and Veterans Affairs.
- (2) Secretary. – The Secretary of Military and Veterans Affairs.
- (3) Veteran. – One of the following, as applicable:
- a. For qualifying as a voting member of the State Board of Veterans Affairs and as the State Director of Veterans Affairs, a person who served honorably during a period of war as defined in Title 38, United States Code.
- b. For entitlement to the services of the Department of Military and Veterans Affairs, any person who may be entitled to any benefits or rights under the laws of the United States by reason of service in the Armed Forces of the United States."

CREATION OF STATUTORY PARTS AND RECODIFICATION AND REPEAL OF AFFECTED STATUTES

SECTION 24.1.(c) Veterans' Affairs Commission. – Part 13 of Article 9 of Chapter 143B of the General Statutes is recodified as Part 2 of Article 14 of Chapter 143B of the General Statutes and renumbered as G.S. 143B-1220 through G.S. 143B-1222. G.S. 165-19 through G.S. 165-22.1 are recodified under that Part as G.S. 143B-1223 through G.S. 143B-1227.

SECTION 24.1.(d) Governor's Jobs for Veterans Committee. – Part 19 of Article 9 of Chapter 143B of the General Statutes is recodified as Part 3 of Article 14 of Chapter 143B of the General Statutes and renumbered as G.S. 143B-1235 and G.S. 143B-1236.

SECTION 24.1.(e) Division of Veterans Affairs. – G.S. 165-1 through G.S. 165-4, G.S. 165-6, 165-8, and 165-10 are repealed. G.S. 165-9, 165-11, and 165-11.1 are recodified under Part 1 of Article 14 of Chapter 143B of the General Statutes as G.S. 143B-1214 through G.S. 143B-1216, respectively.

SECTION 24.1.(f) Minor Veterans and Minor Spouses of Veterans. – Article 2 of Chapter 165 of the General Statutes is recodified as Part 4 of Article 14 of Chapter 143B of the General Statutes, G.S. 143B-1240 through G.S. 143B-1244. Article 3 of Chapter 165 of the

General Statutes is recodified as Part 5 of Article 14 of Chapter 143B of the General Statutes, G.S. 143B-1247 and G.S. 143B-1248.

SECTION 24.1.(g) Veterans Recreation Authorities Law. – Article 5 of Chapter 165 of the General Statutes is recodified as Part 6 of Article 14 of Chapter 143B of the General Statutes, G.S. 143B-1250 through G.S. 143B-1265.

SECTION 24.1.(h) Powers of Attorney. – Article 6 of Chapter 165 of the General Statutes is recodified as Part 7 of Article 14 of Chapter 143B of the General Statutes, G.S. 143B-1270 through G.S. 143B-1273.

SECTION 24.1.(i) Miscellaneous Provisions. – Article 7 of Chapter 165 of the General Statutes is recodified as Part 8 of Article 14 of Chapter 143B of the General Statutes, G.S. 143B-1275 through G.S. 143B-1277.

SECTION 24.1.(j) Employment Assistance. – Article 7A of Chapter 165 of the General Statutes is recodified as Part 9 of Article 14 of Chapter 143B of the General Statutes, G.S. 143B-1280 through G.S. 143B-1285.

SECTION 24.1.(k) State Veterans Home. – Article 8 of Chapter 165 of the General Statutes is recodified as Part 10 of Article 14 of Chapter 143B of the General Statutes, G.S. 143B-1290 through G.S. 143B-1300.

SECTION 24.1.(l) North Carolina Military Affairs Commission. – Chapter 127C of the General Statutes is recodified as Part 11 of Article 14 of Chapter 143B of the General Statutes, G.S. 143B-1310 through G.S. 143B-1314.

CONFORMING CHANGES

SECTION 24.1.(m) G.S. 20-79.4 reads as rewritten:

"§ 20-79.4. Special registration plates.

...

(a2) Special Plates Based Upon Military Service. – The ~~Division of Veterans Affairs~~ Department of Military and Veterans Affairs shall be responsible for verifying and maintaining all verification documentation for all special plates that are based upon military service. The ~~Division-Department~~ shall not issue a special plate that is based on military service unless the application is accompanied by a motor vehicle registration (MVR) verification form signed by the ~~Director of the Division of Veterans Affairs~~, Secretary of Military and Veterans Affairs, or the ~~Director's-Secretary's~~ designee, showing that the ~~Division of Veterans Affairs Department of Military and Veterans Affairs~~ has verified the applicant's credentials and qualifications to hold the special plate applied for.

(1) Unless a qualifying condition exists requiring annual verification, no additional verification shall be required to renew a special registration plate either in person or through an online service.

(2) If the ~~Division of Veterans Affairs-Department of Military and Veterans Affairs~~ determines a special registration plate has been issued due to an error on the part of the Division of Motor Vehicles, the plate shall be recalled and canceled.

(3) If the ~~Division of Veterans Affairs-Department of Military and Veterans Affairs~~ determines a special registration plate has been issued to an applicant who falsified documents or has fraudulently applied for the special registration plate, the Division of Motor Vehicles shall revoke the special plate and take appropriate enforcement action.

...."

SECTION 24.1.(n) G.S. 20-79.5 reads as rewritten:

"§ 20-79.5. Special registration plates for elected and appointed State government officials.

(a) Plates. – The State government officials listed in this section are eligible for a special registration plate under G.S. 20-79.4. The plate shall bear the number designated in the following table for the position held by the official.

Position	Number on Plate
Governor	1
Lieutenant Governor	2
...	
<u>Secretary of Military and Veterans Affairs</u>	<u>22</u>
Governor's Staff	<u>22-23-29</u>
...."	

SECTION 24.1.(o) G.S. 47-113.2 reads as rewritten:

"§ 47-113.2. Restricting access to military discharge documents.

...

(b) Definitions:

(1) Authorized party. – Four categories of authorized parties are recognized with respect to access to military discharge documents under subsection (e) of this section:

...

c. Authorized agents of the ~~Division of Veterans Affairs;~~Department of Military and Veterans Affairs, the United States Department of Veterans Affairs, the Department of Defense, or a court official with an interest in assisting the subject or the deceased subject's beneficiaries to obtain a benefit.

...

(h) The North Carolina Association of Registers of Deeds and the ~~Division of Veterans Affairs~~Department of Military and Veterans Affairs shall adopt ~~before January 1, 2004,~~ such request forms and associated rules as are required to implement the provisions of this section. All filing offices shall use the forms and comply with the rules, as adopted.

...."

SECTION 24.1.(p) G.S. 65-43.4(b) reads as rewritten:

"(b) A disinterment may be permitted, at no cost to the State, when the following conditions are satisfied:

(1) The disinterment is requested in writing and filed with the Program Director of the veterans cemeteries, the Assistant Secretary for Veterans Affairs, or the ~~Division of Veterans Affairs;~~Department of Military and Veterans Affairs;

(2) The request for disinterment contains the notarized signature of the nearest of kin, such as surviving spouse. If the spouse is deceased, the signatures of a majority of the surviving children of legal age will be required;

(3) The funeral director has obtained all necessary permits for disinterment."

SECTION 24.1.(q) G.S. 65-43.5 reads as rewritten:

"§ 65-43.5. Reinterment.

(a) The remains of a qualified veteran or the remains of an eligible family member may be moved to a State veterans cemetery for reinterment, at no cost to the State, when the following conditions are satisfied:

...

(2) The reinterment is requested in writing and filed with the Program Manager of veterans cemeteries, the Assistant Secretary for Veterans Affairs, or the ~~Division of Veterans Affairs; and~~Department of Military and Veterans Affairs;

...."

1 **SECTION 24.1.(r)** G.S. 93B-15.1(c1) reads as rewritten:

2 "(c1) Each occupational licensing board shall publish a document that lists the specific
3 criteria or requirements for licensure, registration, or certification by the board, with a
4 description of the criteria or requirements that are satisfied by military training or experience as
5 provided in this section, and any necessary documentation needed for obtaining the credit or
6 satisfying the requirement. The information required by this subsection shall be published on
7 the occupational licensing board's Web site and the Web site of the ~~North Carolina Division of~~
8 ~~Veterans Affairs, Department of Military and Veterans Affairs.~~"

9 **SECTION 24.1.(s)** G.S. 116-209.23 reads as rewritten:

10 **"§ 116-209.23. Inconsistent laws inapplicable.**

11 Insofar as the provisions of this Article are inconsistent with the provisions of any general
12 or special laws, or parts thereof, the provisions of this Article shall be controlling, except that
13 no provision of the 1971 amendments to this Article shall apply to scholarships for children of
14 war veterans as set forth in ~~Article 4 of Chapter 165, Part 2 of Article 14 of Chapter 143B of the~~
15 ~~General Statutes~~, as amended."

16 **SECTION 24.1.(t)** G.S. 116B-7(b) reads as rewritten:

17 "(b) An amount specified in the Current Operations Appropriations Act shall be
18 transferred annually from the Escheat Fund to the Department of ~~Administration-Military and~~
19 ~~Veterans Affairs~~ to partially fund the program of Scholarships for Children of War Veterans
20 established by ~~Article 4 of Chapter 165, Part 2 of Article 14 of Chapter 143B of the General~~
21 ~~Statutes~~. Those funds may be used only for residents of this State who (i) are worthy and needy
22 as determined by the Department of ~~Administration, Military and Veterans Affairs~~ and (ii) are
23 enrolled in public institutions of higher education of this State."

24 **SECTION 24.1.(u)** G.S. 126-2(b1)(5) reads as rewritten:

25 "(b1) The Commission shall consist of nine members, appointed as follows:

26 ...

27 (5) One member who is a veteran of the Armed Forces of the United States
28 appointed by the Governor upon the nomination of the ~~Veterans-Veterans'~~
29 ~~Affairs Commission~~ and who is a State employee subject to this Chapter
30 serving in a nonexempt supervisory position. The member may not be a
31 human resources professional."

32 **SECTION 24.1.(v)** G.S. 126-5(d)(1) is amended by adding a new sub-subdivision
33 to read:

34 "(d) (1) Exempt Positions in Cabinet Department. – Subject to the provisions of this
35 Chapter, which is known as the North Carolina Human Resources Act, the
36 Governor may designate a total of 1,500 exempt positions throughout the
37 following departments and offices:
38 a. Department of Administration.
39 b. Department of Commerce.
40 c. Repealed by Session Laws 2012-83, s. 7, effective June 26, 2012,
41 and by Session Laws 2012-142, s. 25.2E(a), effective January 1,
42 2013.
43 d. Department of Public Safety.
44 e. Department of Cultural Resources.
45 f. Department of Health and Human Services.
46 g. Department of Environment and Natural Resources.
47 h. Department of Revenue.
48 i. Department of Transportation.
49 j. Repealed by Session Laws 2012-83, s. 7, effective June 26, 2012,
50 and by Session Laws 2012-142, s. 25.2E(a), effective January 1,
51 2013.

- k. Office of Information Technology Services.
l. Office of State Budget and Management.
m. Office of State Human Resources.
n. Department of Military and Veterans Affairs."

SECTION 24.1.(w) G.S. 127C-1, as recodified by subsection (l) of this section, reads as rewritten:

"§ 143B-1310. Commission established; purpose; transaction of business.

(a) Establishment. – There is established the North Carolina Military Affairs Commission. The Commission shall be established within the ~~Office of the Governor. The Department of Commerce is responsible for organizational, budgetary, and administrative purposes.~~Department of Military and Veterans Affairs.

(b) Purpose. – The Commission shall provide advice, counsel, and recommendations to ~~the Governor, the General Assembly, the Secretary of Commerce,~~Military and Veterans Affairs, and other State agencies on initiatives, programs, and legislation that will continue and increase the role that North Carolina's military installations, the National Guard, and Reserves play in America's defense strategy and the economic health and vitality of the State. The Commission is authorized ~~to do~~ to do all of the following, as delegated by the Secretary of Military and Veterans Affairs:

...

(c) Transaction of Business. – The Commission shall meet, at a minimum, at least once during each quarter and shall provide a report on military affairs to the ~~Governor~~Secretary of Military and Veterans Affairs and to the General Assembly at least every six months. Prior to the start of a Regular Session of the General Assembly, the Commission shall report to the General Assembly with recommendations, if any, for legislation. Priority actions or issues may be submitted at any time.

...."

SECTION 24.1.(x) G.S. 127C-2(h), as recodified by subsection (l) of this section, reads as rewritten:

"(h) The initial meeting of the Commission shall be within 30 days of the effective date of this act at a time and place to be determined by the Secretary of Commerce. The first order of business at the initial meeting of the Commission shall be the adoption of bylaws and establishment of committees, after which the Commission shall meet upon the call of the Chairman ~~or the Military Advisor within the Office of the Governor, or the Secretary of the Department of Military and Veterans Affairs.~~ The members shall receive no compensation for attendance at meetings, except a per diem expense reimbursement. Members of the Commission who are not officers or employees of the State shall receive reimbursement for subsistence and travel expenses at rates set out in G.S. 138-5 from funds made available to the Commission. Members of the Commission who are officers or employees of the State shall be reimbursed for travel and subsistence at the rates set out in G.S. 138-6 from funds made available to the Commission. The Department of ~~Commerce~~Military and Veterans Affairs shall use funds within its budget for the per diem, subsistence, and travel expenses authorized by this subsection."

SECTION 24.1.(y) G.S. 127C-3, as recodified by subsection (l) of this section, is repealed.

SECTION 24.1.(z) G.S. 127C-5, as recodified by subsection (l) of this section, reads as rewritten:

"§ 143B-1314. Protection of sensitive documents.

(a) In carrying out any purpose set out in ~~G.S. 127C-1(b),~~G.S. 143B-1310(b), the Commission and the Department of ~~Commerce~~Military and Veterans Affairs may share documents and discussions protected from disclosure under G.S. 132-1.2 and G.S. 143-318.11 with other public bodies. Any information shared under this subsection shall be confidential

1 and exempt from Chapter 132 of the General Statutes to the same extent that it is confidential
2 in the possession of the Commission or the Department.

3 (b) In carrying out any purpose set out in ~~G.S. 127C-1(b)~~, G.S. 143B-1310(b), the
4 Commission and the Department of ~~Commerce~~ Military and Veterans Affairs may share
5 documents and discussions protected from disclosure under G.S. 132-1.2 and G.S. 143-318.11
6 with any third party in its discretion. Any information shared under this subsection shall be
7 shared under an agreement to keep the information confidential to the same extent that it is
8 confidential in the possession of the Commission or the Department."

9 **SECTION 24.1.(aa)** G.S. 143B-6 is amended by adding a new subdivision to read:
10 **"§ 143B-6. Principal departments.**

11 In addition to the principal departments enumerated in the Executive Organization Act of
12 1971, all executive and administrative powers, duties, and functions not including those of the
13 General Assembly and its agencies, the General Court of Justice and the administrative
14 agencies created pursuant to Article IV of the Constitution of North Carolina, and higher
15 education previously vested by law in the several State agencies, are vested in the following
16 principal departments:

17 ...

18 (12) Department of Military and Veterans Affairs."

19 **SECTION 24.1.(bb)** G.S. 143B-399, as recodified and renumbered by subsection
20 (c) of this section, reads as rewritten:

21 **"§ 143B-1220. Veterans' Affairs Commission – creation, powers and duties.**

22 There is hereby created the Veterans' Affairs Commission of the Department of
23 ~~Administration~~ of Military and Veterans Affairs. The Veterans' Affairs Commission shall have
24 the following functions and ~~duties~~ duties, as delegated by the Secretary of Military and
25 Veterans Affairs:

26 (1) To advise the ~~Governor~~ Secretary of Military and Veterans Affairs on
27 matters relating to the affairs of veterans in North Carolina;

28 (2) To maintain a continuing review of the operation and budgeting of existing
29 programs for veterans and their dependents in the State and to make any
30 recommendations to the ~~Governor~~ Secretary of Military and Veterans
31 Affairs for improvements and additions to such matters to which the
32 ~~Governor~~ Secretary shall give due consideration;

33 (3) ~~To serve collectively as a liaison between the Division of Veterans Affairs~~
34 ~~and the veterans organizations represented on the Commission;~~

35 (4) To promulgate rules and regulations concerning the awarding of
36 scholarships for children of North Carolina veterans as provided by ~~Article 4~~
37 ~~of Chapter 165 of the General Statutes of North Carolina~~ this Article. The
38 Commission shall make rules and regulations consistent with the provisions
39 of this ~~Chapter~~ Article. All rules and regulations not inconsistent with the
40 provisions of this Chapter heretofore adopted by the State Board of Veterans'
41 Affairs shall remain in full force and effect unless and until repealed or
42 superseded by action of the ~~Veterans~~ Veterans' Affairs Commission. All
43 rules and regulations adopted by the Commission shall be enforced by the
44 ~~Division of Veterans' Affairs~~ Department of Military and Veterans Affairs;

45 (4a) To promulgate rules concerning the awarding of the North Carolina Services
46 Medal to all veterans who have served in any period of war as defined in 38
47 U.S.C. § 101. The award shall be self-financing; those who wish to be
48 awarded the medal shall pay a fee to cover the expenses of producing the
49 medal and awarding the medal. All rules adopted by the Commission with
50 respect to the North Carolina Services Medal shall be implemented and

- 1 enforced by the ~~Division of Veterans' Affairs;~~Department of Military and
2 Veterans Affairs; and
3 (5) To advise the ~~Governor~~Secretary on any matter the ~~Governor~~Secretary may
4 refer to it."

5 **SECTION 24.1(cc)** G.S. 143B-400, as recodified and renumbered by subsection
6 (c) of this section, reads as rewritten:

7 "**§ 143B-1221. Veterans' Affairs Commission – members; selection; quorum;**
8 **compensation.**

9 The Veterans' Affairs Commission of the Department of ~~Administration~~Military and
10 Veterans Affairs shall consist of one voting member from each congressional district, all of
11 whom shall be veterans, appointed by the Governor for four-year terms. In making these
12 appointments, the Governor shall insure that both major political parties will be continuously
13 represented on the Veterans' Affairs Commission.

14 The initial members of the Commission shall be the appointed members of the current
15 Veterans' Affairs Commission who shall serve for the remainder of their current terms and six
16 additional members appointed by the Governor for terms expiring June 30, 1981. Thereafter, all
17 members shall be appointed for terms of four years. Any appointment to fill a vacancy on the
18 Commission created by the resignation, dismissal, death or disability of a member shall be for
19 the balance of the unexpired term. The Governor shall have the power to remove any member
20 of the Commission in accordance with provisions of G.S. 143B-13.

21 In the event that more than 11 congressional districts are established in the State, the
22 Governor shall on July 1 following the establishment of such additional congressional districts
23 appoint a member of the Commission from that congressional district. If on July 1, 1977, or at
24 any time thereafter due to congressional redistricting, two or more members of the Veterans'
25 Affairs Commission shall reside in the same congressional district then such members shall
26 continue to serve as members of the Commission for a period equal to the remainder of their
27 current terms on the Commission provided that upon the expiration of said term or terms the
28 Governor shall fill such vacancy or vacancies in such a manner as to insure that as
29 expeditiously as possible there is one member of the Veterans' Affairs Commission who is a
30 resident of each congressional district in the State.

31 The Governor shall designate from the membership of the Commission a chairman and
32 vice-chairman of the Commission who shall serve at the pleasure of the Governor. The
33 Secretary of the Department of ~~Administration~~Military and Veterans Affairs or his designee
34 shall serve as secretary of the Commission.

35 Members of the Commission shall receive per diem and necessary travel and subsistence
36 expenses in accordance with provisions of G.S. 138-5.

37 A majority of the Commission shall constitute a quorum for the transaction of business.

38 The Veterans' Affairs Commission shall meet at least twice a year and may hold special
39 meetings at any time or place within the State at the call of the chairman, at the call of the
40 Secretary of the Department of ~~Administration~~Military and Veterans Affairs or upon the
41 written request of at least six members.

42 All clerical and other services required by the Commission shall be provided by the
43 Secretary of the Department of ~~Administration~~Military and Veterans Affairs."

44 **SECTION 24.1(dd)** G.S. 143B-420, as recodified by subsection (d) of this
45 section, reads as rewritten:

46 "**§ 143B-1235. Governor's Jobs for Veterans Committee – creation; appointment,**
47 **organization, etc.; duties.**

48 (a) There is hereby created and established in the North Carolina Department of
49 ~~Administration, Division of Veterans Affairs,~~Military and Veterans Affairs, a committee to be
50 known as the Governor's Jobs for Veterans Committee, with one member from each
51 Congressional district, appointed by the Governor. Members of the Committee shall serve at

(2) "Nonprofit tax exempt organizations" means those nonprofit tax exempt medical institutions, hospitals, clinics, health centers, school systems, schools, colleges, universities, schools for the mentally retarded, schools for the physically handicapped, radio and television stations licensed by the Federal Communications Commission as educational radio or educational television stations, public libraries, and civil defense organizations, that have been certified by the Internal Revenue Service as tax-exempt nonprofit organizations under section 501(c)(3) of the United States Internal Revenue Code of 1954.

(3) "Recyclable material" means a recyclable material, as defined in G.S. 130A-290, that the Secretary of Administration determines, consistent with G.S. 130A-309.14, to be a recyclable material.

(4) "State owned" means supplies, materials, and equipment in the possession of the State of North Carolina and purchased with State funds, personal property donated to the State, or personal property purchased with other funds that give ownership to the State.

(5) "Surplus property" means personal property that is no longer needed by a State agency."

SECTION 27.3.(f) G.S. 143-64.03 reads as rewritten:

"§ 143-64.03. Powers and duties of the State agency for surplus property.

(a) The State Surplus Property Agency is authorized and directed to:

(1) Sell all State owned supplies, materials, and equipment that are surplus, obsolete, or ~~unused~~; unused and sell all seized vehicles and other conveyances that the State Surplus Property Agency is authorized to sell;

(2) Warehouse such property; and

(3) Distribute such property to tax-supported or nonprofit tax-exempt organizations.

(b) The State Surplus Property Agency is authorized and empowered to act as a clearinghouse of information for agencies and private nonprofit tax-exempt organizations, to locate property available for acquisition from State agencies, to ascertain the terms and conditions under which the property may be obtained, to receive requests from agencies and private nonprofit tax-exempt organizations, and transmit all available information about the property, and to aid and assist the agencies and private nonprofit tax-exempt organizations in transactions for the acquisition of State surplus property.

(c) The State agency for surplus property, in the administration of Part 1 of this Article, shall cooperate to the fullest extent consistent with the provisions of Part 1 of this Article, with the departments or agencies of the State.

(d) The State agency for surplus property may sell or otherwise dispose of surplus property, including motor vehicles, through an electronic auction service."

SECTION 27.3.(g) G.S. 143-64.05(a) reads as rewritten:

"§ 143-64.05. Service charge; receipts.

(a) The State agency for surplus property may assess and collect a service charge (i) for the acquisition, receipt, warehousing, distribution, or transfer of any State surplus ~~property and~~ property; (ii) for the transfer or sale of recyclable material-material; and (iii) for the towing, storing, processing, maintaining, and selling of motor vehicles seized pursuant to G.S. 20-28.3. The service charge authorized by this subsection does not apply to the transfer or sale of timber on land owned by the Wildlife Resources Commission or the Department of Agriculture and Consumer Services."

PART XXVIII. DEPARTMENT OF REVENUE

ELIMINATE POSITIONS AT ROCKY MOUNT CALL CENTER

SECTION 28.1.(a) The Department of Revenue shall close the call center in the City of Rocky Mount no later than July 1, 2017. The Department shall not fill vacant positions located at the call center in the City of Rocky Mount. The Department may transfer vacant or filled positions from the call center in the City of Rocky Mount to the call center in the City of Greensboro, provided that no more than 100 positions are established in the call center in the City of Greensboro.

SECTION 28.1.(b) This section is effective when this act becomes law.

MODIFY COLLECTION ASSISTANCE FEE RULES

SECTION 28.2. G.S. 105-243.1(e) reads as rewritten:

"(e) Use. – The fee is a receipt of the Department and must be applied to the costs of collecting overdue tax debts. The proceeds of the fee must be credited to a special account within the Department and may be expended only as provided in this subsection. The proceeds of the fee may not be used for any purpose that is not directly and primarily related to collecting overdue tax debts. The Department may apply the proceeds of the fee for the purposes listed in this subsection. The remaining proceeds of the fee may be spent only pursuant to appropriation by the General Assembly. The fee proceeds do not revert but remain in the special account until spent for the costs of collecting overdue tax debts. The Department and the Office of State Budget and Management must account for all expenditures using accounting procedures that clearly distinguish costs allocable to collecting overdue tax debts from costs allocable to other purposes and must demonstrate that none of the fee proceeds are used for any purpose other than collecting overdue tax debts.

The Department may apply the fee proceeds for the following purposes:

(1) To pay (i) contractors for collecting overdue tax debts under subsection (b) of this section and (ii) auditors responsible for identifying overdue tax debts.

...

(4) To pay for postage or other delivery charges for correspondence directly and primarily relating to collecting overdue tax debts, not to exceed ~~five hundred thousand dollars (\$500,000)~~seven hundred fifty thousand dollars (\$750,000) a year.

...

(7) To pay the direct and indirect expenses of information technology upgrades to the Department of Revenue computer systems that are intended to do all of the following:

a. Improve system-wide security to protect the interests of all taxpayers and the information technology infrastructure of the Department.

b. Allow the Department to achieve ongoing compliance with IRS requirements for the safeguarding of Federal Tax Information entrusted to the Department.

c. Upgrade Department of Revenue capabilities to allow for electronic filing of returns by taxpayers and the electronic issuance of refunds by the Department for all remaining tax schedules.

d. Accomplish other mission-critical IT tasks of the Department as approved by the Office of State Budget and Management in consultation with the State CIO."

STATE AGENCY/ENHANCED DEBT COLLECTION

SECTION 28.3. Article 1 of Chapter 105A of the General Statutes reads as rewritten:

"Chapter 105A.**"Setoff Debt Collection Act.****"Article 1.****"In General.****"§ 105A-1. Purposes.**

The purpose of this Chapter is to establish as policy that all claimant agencies and the Department of Revenue shall cooperate in identifying debtors who owe money to the State or to a local government through their various agencies and who qualify for refunds from the Department of Revenue. It is also the intent of this Chapter that procedures be established for setting off against any refund the sum of any debt owed to the State or to a local government. Furthermore, it is the legislative intent that this Chapter be liberally construed so as to effectuate these purposes as far as legally and practically possible.

"§ 105A-2. Definitions.

The following definitions apply in this Chapter:

(1) Claimant agency. – Either of the following:

- a. A State agency.
- b. A local agency acting through a clearinghouse or an organization pursuant to G.S. 105A-3(b1).
- c. A federal agency.

(2) Debt. – Any of the following, ~~except as limited in sub-subdivision (f.) of this subdivision; following:~~

- a. A sum owed to a claimant agency that has accrued through contract, subrogation, tort, operation of law, or any other legal theory regardless of whether there is an outstanding judgment for the sum.
- b. A sum a claimant agency is authorized or required by law to collect, such as child support payments collectible under Title IV, Part D of the Social Security Act.
- c. A sum owed as a result of an intentional program violation or a violation due to inadvertent household error under the Food and Nutrition Services Program enabled by Part 5 of Article 2 of Chapter 108A of the General Statutes.
- d. Reserved for future codification purposes.
- e. A sum owed as a result of having obtained public assistance payments under any of the following programs through an intentional false statement, intentional misrepresentation, intentional failure to disclose a material fact, or inadvertent household error:
 1. The Work First Program provided in Article 2 of Chapter 108A of the General Statutes.
 2. The State-County Special Assistance Program enabled by Part 3 of Article 2 of Chapter 108A of the General Statutes.
 3. A successor program of one of these programs.
- f. ~~For any school of medicine, clinical program, facility, or practice affiliated with one of the constituent institutions of The University of North Carolina that provides medical care to the general public and for The University of North Carolina Health Care System and other persons or entities affiliated with or under the control of The University of North Carolina Health Care System, the term "debt" is limited to the sum owed to one of these entities by law or by contract following adjudication of a claim resulting from an individual's receipt of hospital or medical services at a time when the individual was covered by commercial insurance, Medicaid, Health Choice,~~

- 1 Medicare, Medicare Advantage, a Medicare supplement plan, or any
2 other government insurance.
- 3 g. A sum owed to the United States government or its federal agencies.
- 4 (3) Debtor. – A person who owes a debt.
- 5 (4) Department. – The Department of Revenue.
- 6 (5) Federal official. – A unit or official of the federal government charged with
7 the collection of nontax debts payable to the federal government pursuant to
8 31 U.S.C. § 3716.
- 9 (6) Local agency. – Any of the following:
- 10 a. A county, to the extent it is not considered a State agency.
- 11 b. A municipality.
- 12 c. A water and sewer authority created under Article 1 of Chapter 162A
13 of the General Statutes.
- 14 d. A regional joint agency created by interlocal agreement under Article
15 20 of Chapter 160A of the General Statutes between two or more
16 counties, cities, or both.
- 17 e. A public health authority created under Part 1B of Article 2 of
18 Chapter 130A of the General Statutes or other authorizing legislation.
- 19 f. A metropolitan sewerage district created under Article 5 of Chapter
20 162A of the General Statutes.
- 21 g. A sanitary district created under Part 2 of Article 2 of Chapter 130A
22 of the General Statutes.
- 23 h. A housing authority created under Chapter 157 of the General
24 Statutes, provided that the debt owed to a housing authority has been
25 reduced to a final judgment in favor of the housing authority.
- 26 i. A regional solid waste management authority created under Article
27 22 of Chapter 153A of the General Statutes.
- 28 (7) Net proceeds collected. – Gross proceeds collected through setoff against a
29 debtor's refund or nontax payment minus the collection assistance fees
30 provided in G.S. 105A-13.
- 31 (7a) Nontax payment. – A payment, including an expense reimbursement, made
32 by the State to a person. The term does not include a person's salary, wages,
33 or pension or a refund.
- 34 (7b) Person. – Defined in G.S. 105-228.90.
- 35 (8) Refund. – A debtor's North Carolina tax refund.
- 36 (9) State agency. – Any of the following:
- 37 a. A unit of the executive, legislative, or judicial branch of State
38 government.
- 39 b. A local agency, to the extent it administers a program supervised by
40 the Department of Health and Human Services or it operates a Child
41 Support Enforcement Program, enabled by Chapter 110, Article 9,
42 and Title IV, Part D of the Social Security Act.
- 43 c. A community college.

44 **"§ 105A-3. Remedy additional; mandatory State usage; optional local usage; obtaining**
45 **identifying information; registration.**

46 (a) Remedy Additional. – The collection remedy under this Chapter is in addition to
47 and not in substitution for any other remedy available by law.

48 (b) Mandatory State Usage. – A State agency must submit a debt owed to it for
49 collection under this Chapter unless the State Controller has waived this requirement or the
50 State agency has determined that the validity of the debt is legitimately in dispute, an
51 alternative means of collection is pending and believed to be adequate, or such a collection

attempt would result in a loss of federal funds. The State Controller may waive the requirement for a State agency, other than the Department of Health and Human Services or a county acting on behalf of that Department, to submit a debt owed to it for collection under this Chapter if the State Controller finds that collection by this means would not be practical or cost effective. A waiver may apply to all debts owed a State agency or a type of debt owed a State agency.

(b1) Optional Local Usage. – A local agency may submit a debt owed to it for collection under this Chapter. A local agency that decides to submit a debt owed to it for collection under this Chapter must establish the debt by following the procedure set in G.S. 105A-5 and must submit the debt through one of the following:

(1) A clearinghouse that is established pursuant to an interlocal agreement adopted under Article 20 of Chapter 160A of the General Statutes and has agreed to submit debts on behalf of any requesting local agency.

(2) The North Carolina League of Municipalities.

(3) The North Carolina Association of County Commissioners.

(c) Identifying Information. – All claimant agencies shall whenever possible obtain the full name, social security number or federal identification number, address, and any other identifying information required by the Department from any person for whom the agencies provide any service or transact any business and who the claimant agencies can foresee may become a debtor under this Chapter.

(d) Registration and Reports. – A State agency must register with the Department and with the State Controller. Every State agency must report annually to the State Controller the amount of debts owed to the agency for which the agency did not submit a claim for setoff and the reason for not submitting the claim.

A clearinghouse or an organization that submits debts on behalf of a local agency must register with the Department. Once a clearinghouse registers with the Department under this subsection, no other clearinghouse may register to submit debts for collection under this Chapter.

"§ 105A-4. Minimum debt and ~~refund~~.refund or nontax payment.

This Chapter applies only to a debt that is at least fifty dollars (\$50.00) and to a refund or nontax payment that is at least this same amount.

"§ 105A-5. Local agency notice, hearing, and decision.

(a) Prerequisite. – A local agency may not submit a debt for collection under this Chapter until it has given the notice required by this section and the claim has been finally determined as provided in this section.

(b) Notice. – A local agency must send written notice to a debtor that the agency intends to submit the debt owed by the debtor for collection by setoff. The notice must explain the basis for the agency's claim to the debt, that the agency intends to apply the debtor's refund or nontax payment against the debt, and that a collection assistance fee ~~of fifteen dollars (\$15.00)~~ provided in G.S. 105A-13 will be added to the debt if it is submitted for setoff. The notice must also inform the debtor that the debtor has the right to contest the matter by filing a request for a hearing with the local agency, must state the time limits and procedure for requesting the hearing, and must state that failure to request a hearing within the required time will result in setoff of the debt.

(c) Administrative Review. – A debtor who decides to contest a proposed setoff must file a written request for a hearing with the local agency within 30 days after the date the local agency mails a notice of the proposed action to the debtor. A request for a hearing is considered to be filed when it is delivered for mailing with postage prepaid and properly addressed. The governing body of the local agency or a person designated by the governing body must hold the hearing.

If the debtor disagrees with the decision of the governing body or the person designated by the governing body, the debtor may file a petition for a contested case under Article 3 of

Chapter 150B of the General Statutes. The petition must be filed within 30 days after the debtor receives a copy of the local decision. Notwithstanding the provisions of G.S. 105-241.21, a local agency is considered an agency for purposes of contested cases and appeals under this Chapter.

In a hearing under this section, an issue that has previously been litigated in a court proceeding cannot be considered.

(d) Decision. – A decision made after a hearing under this section must determine whether a debt is owed to the local agency and the amount of the debt.

(e) Return of Amount Set Off. – If a local agency submits a debt for collection under this Chapter without sending the notice required by subsection (b) of this section, the agency must send the taxpayer the entire amount set off plus the collection assistance fees provided in G.S. 105A-13. Similarly, if a local agency submits a debt for collection under this Chapter after sending the required notice but before final determination of the debt and a decision finds that the local agency is not entitled to any part of the amount set off, the agency must send the taxpayer the entire amount set off plus the collection assistance fees provided in G.S. 105A-13. That portion of the amount returned that reflects the collection assistance fees must be paid from the local agency's funds.

If a local agency submits a debt for collection under this Chapter after sending the required notice and the net proceeds collected that are credited to the local agency for the debt exceed the amount of the debt, the local agency must send the balance to the debtor. No part of the collection assistance fees provided in G.S. 105A-13 may be returned when a notice was sent and a debt is owed but the debt is less than the amount set off.

Interest accrues on the amount of a refund returned to a taxpayer under this subsection in accordance with G.S. 105-241.21. A local agency that returns a refund to a taxpayer under this subsection must pay from the local agency's funds any interest that has accrued since the fifth day after the Department mailed the notice of setoff to the taxpayer.

"§ 105A-6. Procedure Department to follow in making setoff.

(a) Notice to Department. – A claimant agency seeking to attempt collection of a debt through setoff must notify the Department in writing and supply information necessary to identify the debtor whose refund or nontax payment is sought to be set off. The claimant agency may include with the notification the date, if any, that the debt is expected to expire. The agency must notify the Department in writing when a debt has been paid or is no longer owed the agency.

(b) Setoff by Department. – The Department, upon receipt of notification, must determine each year whether the debtor to the claimant agency is entitled to a refund of or nontax payment and whether the amount is at least fifty dollars (\$50.00) from the Department. (\$50.00). Upon determination by the Department that a debtor specified by a claimant agency qualifies for such a refund, refund or nontax payment, the Department must set off the debt against the refund or nontax payment to which the debtor would otherwise be entitled and must refund any remaining balance to the debtor. The Department must mail the debtor written notice that the setoff has occurred and must credit the net proceeds collected to the claimant agency. If the claimant agency is a State agency, that agency must credit the amount received to a nonreverting trust account and must follow the procedure set in G.S. 105A-8.

"§ 105A-6.1. State Reciprocal Offset Program.

(a) Agreement. – The Department is authorized to enter into an agreement with the Secretary of the Treasury to participate in the State Reciprocal Offset Program pursuant to 31 U.S.C. § 3716 for the collection of any debts owed to the State or to State agencies from federal payments to vendors, contractors, and taxpayers. The agreement may provide for the United States to submit nontax debts owed to federal agencies for offset against State payments otherwise due and owing to taxpayers, vendors, and contractors providing goods or services to the State, its departments, agencies, or institutions.

(b) Federal Certification. – Pursuant to the agreement authorized in subsection (a) of this section, a federal official may certify to the Department the existence of a person's delinquent, nontax debt owed by the person to the federal government. To accept the certification provided by the federal official, the certification must include the name of the person, the person's Social Security number or federal tax identification number, and the amount of the person's nontax debt and may include any other information pursuant to the agreement authorized herein.

(c) Offset. – Upon receiving a federal certification complying with subsection (b) of this section and a request by the federal official that the Department withhold a refund or nontax payment, the following provisions, as required or permitted by State law, federal law, or the offset agreement, apply:

(1) The Department may determine if a person for whom the federal certification is received is due a refund or nontax payment.

(2) If the person for whom the federal certification is received is due a refund or nontax payment, the Department shall (i) withhold the refund or nontax payment due, (ii) notify the person of the amount withheld in the manner required by the offset agreement, and (iii) remit to the federal official the lesser of the entire amount of the refund or nontax payment or the amount certified.

(3) If the amount certified is less than the refund or nontax payment, the Department shall pay the excess to the person less the collection assistance fee provided in G.S. 105A-13.

(d) State Certification. – As permitted by State law, federal law, and the offset agreement, the Department may certify to a federal official a person's delinquent debt owed to the State by providing the federal official the name of the person, the person's Social Security number or tax identification number, the amount of the debt due the State, and any other information required by the offset agreement. The Department may request that the federal official withhold any federal vendor or other federal payment pursuant to the offset agreement to which the person is entitled.

(e) Proceeds Retention. – The retention of a portion of the proceeds of any federal administrative setoff pursuant to 31 C.F.R. § 285.6 does not affect the provisions of this section.

...

"§ 105A-8. State agency notice, hearing, decision, and refund of setoff.

(a) Notice. – Within 10 days after a State agency receives a refund or nontax payment of a debtor, the agency must send the debtor written notice that the agency has received the debtor's ~~refund~~-refund or nontax payment. The notice must explain the debt that is the basis for the agency's claim to the debtor's refund or nontax payment and that the agency intends to apply the refund or nontax payment against the debt. The notice must also inform the debtor that the debtor has the right to contest the matter by filing a request for a hearing, must state the time limits and procedure for requesting the hearing, and must state that failure to request a hearing within the required time will result in setoff of the debt. A State agency that does not send a debtor a notice within the time required by this subsection must refund the amount set off plus the collection assistance fee, in accordance with subsection (d) of this section.

(b) Hearing. – A hearing on a contested claim of a State agency, except a constituent institution of The University of North Carolina or the Division of Employment Security, must be conducted in accordance with Article 3 of Chapter 150B of the General Statutes. A hearing on a contested claim of a constituent institution of The University of North Carolina must be conducted in accordance with administrative procedures approved by the Attorney General. A hearing on a contested claim of the Division of Employment Security must be conducted in accordance with rules adopted by that Division. A request for a hearing on a contested claim of

any State agency must be filed within 30 days after the State agency mails the debtor notice of the proposed setoff. A request for a hearing is considered to be filed when it is delivered for mailing with postage prepaid and properly addressed. In a hearing under this section, an issue that has previously been litigated in a court proceeding cannot be considered.

(c) Decision. – A decision made after a hearing under this section must determine whether a debt is owed to the State agency and the amount of the debt.

(d) Return of Amount Set Off. – If a State agency fails to send the notice required by subsection (a) of this section within the required time or a decision finds that a State agency is not entitled to any part of an amount set off, the agency must send the taxpayer the entire amount set off plus the collection assistance fee retained by the Department. That portion of the amount returned that reflects the collection assistance fee must be paid from the State agency's funds.

If a debtor owes a debt to a State agency and the net proceeds credited to the State agency for the debt exceed the amount of the debt, the State agency must send the balance to the debtor. No part of the collection assistance fee retained by the Department may be returned when a debt is owed but it is less than the amount set off.

Interest accrues on the amount of a refund returned to a taxpayer under this subsection in accordance with G.S. 105-241.21. A State agency that returns a refund to a taxpayer under this subsection must pay from the State agency's funds any interest that has accrued since the fifth day after the Department mailed the notice of setoff to the taxpayer.

"§ 105A-9. Appeals from hearings.

Appeals from hearings allowed under this Chapter, other than those conducted by the Division of Employment Security, shall be in accordance with the provisions of Chapter 150B of the General Statutes, the Administrative Procedure Act, except that the place of initial judicial review shall be the superior court for the county in which the debtor resides. Appeals from hearings allowed under this Chapter that are conducted by the Division of Employment Security shall be in accordance with the provisions of Chapter 96 of the General Statutes.

...

"§ 105A-12. Priorities in claims to setoff.

The Department has priority over all other claimant agencies for collection by setoff whenever it is a competing agency for a ~~refund~~ refund or nontax payment. State agencies have priority over federal or local agencies for collection by setoff. When there are multiple claims by State agencies other than the Department, the claims have priority based on the date each agency registered with the Department under G.S. 105A-3. When there are multiple claims by two or more organizations submitting debts on behalf of federal or local agencies, the claims have priority based on the date each organization registered with the Department under G.S. 105A-3. When there are multiple claims among federal or local agencies whose debts are submitted by the same organization, the claims have priority based on the date each federal or local agency requested the organization to submit debts on its behalf.

"§ 105A-13. Collection assistance fees.

(a) State Setoff. – ~~To~~ Except as provided in subsection (b1) of this section, to recover the costs incurred by the Department in collecting debts under this Chapter, a collection assistance fee of five dollars (\$5.00) is imposed on each debt collected through setoff. The Department must collect this fee as part of the debt and retain it. The collection assistance fee shall not be added to child support debts or collected as part of child support debts. Instead, the Department shall retain from collections under Division II of Article 4 of Chapter 105 of the General Statutes the cost of collecting child support debts under this Chapter.

(b) Repealed by Session Laws 2001-380, s. 3, effective November 1, 2001.

(b1) Federal Debts. – To recover the costs incurred by the Department in collecting debts on behalf of a federal agency under this Chapter, a collection assistance fee equal to the fee

charged by the federal government is imposed on each debt collected through setoff. The Department must collect this fee as part of the debt and retain it.

(c) Local Debts. – To recover the costs incurred by local agencies in submitting debts for collection under this Chapter, a local collection assistance fee of fifteen dollars (\$15.00) is imposed on each local agency debt submitted under G.S. 105A-3(b1) and collected through setoff. The Department must collect this fee as part of the debt and remit it to the clearinghouse that submitted the debt. The local collection assistance fee does not apply to child support debts.

(d) Priority. – If the Department is able to collect only part of a debt through setoff, the collection assistance fee provided in subsection (a) of this section has priority over the local collection assistance fee and over the remainder of the debt. The local collection assistance fee has priority over the remainder of the debt.

"§ 105A-14. Accounting to the claimant agency; credit to debtor's obligation.

(a) Simultaneously with the transmittal of the net proceeds collected to a claimant agency, the Department must provide the agency with an accounting of the setoffs for which payment is being made. The accounting must whenever possible include the full names of the debtors, the debtors' social security numbers or federal identification numbers, the gross proceeds collected per setoff, the net proceeds collected per setoff, and the collection assistance fee added to the debt and collected per setoff.

(b) Upon receipt by a claimant agency of net proceeds collected on the claimant agency's behalf by the Department, a final determination of the claim if it is a State agency claim, and an accounting of the proceeds as specified under this section, the claimant agency must credit the debtor's obligation with the net proceeds collected.

"§ 105A-15. Confidentiality exemption; nondisclosure.

(a) Notwithstanding G.S. 105-259 or any other provision of law prohibiting disclosure by the Department of the contents of taxpayer records or information and notwithstanding any confidentiality statute of any claimant agency, the exchange of any information among the Department, the claimant agency, the organization submitting debts on behalf of a local agency, and the debtor necessary to implement this Chapter is lawful.

(b) The information a claimant agency or an organization submitting debts on behalf of a local agency obtains from the Department in accordance with the exemption allowed by subsection (a) may be used by the agency or organization only in the pursuit of its debt collection duties and practices and may not be disclosed except as provided in G.S. 105-259, 153A-148.1, or 160A-208.1.

"§ 105A-16. Rules.

The Secretary of Revenue may adopt rules to implement this Chapter. The State Controller may adopt rules to implement this Chapter."

PART XXIX. DEPARTMENT OF TRANSPORTATION

CASH FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATION

SECTION 29.1.(a) The General Assembly authorizes and certifies anticipated revenues for the Highway Fund as follows:

For Fiscal Year 2017-2018	\$2,202.6 million
For Fiscal Year 2018-2019	\$2,245.5 million
For Fiscal Year 2019-2020	\$2,289.9 million
For Fiscal Year 2020-2021	\$2,334.9 million

SECTION 29.1.(b) The General Assembly authorizes and certifies anticipated revenues for the Highway Trust Fund as follows:

For Fiscal Year 2017-2018	\$1,295.3 million
For Fiscal Year 2018-2019	\$1,316.0 million

For Fiscal Year 2019-2020 \$1,342.7 million

For Fiscal Year 2020-2021 \$1,373.5 million

SECTION 29.1.(c) The Department of Transportation, in collaboration with the Office of State Budget and Management, shall develop an eight-year revenue forecast. The first fiscal year in the eight-year forecast shall be the 2017-2018 fiscal year. The eight-year revenue forecast developed under this subsection shall be used (i) to develop the four-year cash flow estimates included in the biennial budgets, (ii) to develop the Strategic Transportation Improvement Program, and (iii) by the Department of the State Treasurer to compute transportation debt capacity.

SMALL CONSTRUCTION AND CONTINGENCY FUNDS

SECTION 29.2.(a) Of the funds appropriated in this act to the Department of Transportation:

(1) Two million five hundred thousand dollars (\$2,500,000) in nonrecurring funds shall be allocated in each fiscal year for small construction projects recommended by the Chief Engineer in consultation with the Chief Operating Officer and approved by the Secretary of the Department of Transportation. These funds shall be allocated equally in each fiscal year of the biennium among the 14 Highway Divisions for small construction projects.

(2) Twelve million dollars (\$12,000,000) shall be allocated statewide in each fiscal year for rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, and spot safety projects, including pedestrian walkways that enhance highway safety. Projects funded pursuant to this subdivision shall be approved by the Secretary of Transportation.

SECTION 29.2.(b) The Department of Transportation shall report to the members of the General Assembly on projects funded pursuant to this section in each member's district prior to construction. The Department shall make a quarterly comprehensive report on the use of these funds to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

PRIORITIZATION 4.0 WORKGROUP CRITERIA/STI REVISIONS

SECTION 29.3.(a) The Prioritization 4.0 Workgroup, established in accordance with G.S. 136-189.11(h), shall (i) include peak average daily traffic data in the Congestion formula, (ii) expand consideration in Multimodal formula given to projects abutting a multimodal terminal to include projects within a certain proximity of a multimodal terminal, and (iii) include the improvement of hurricane evacuation routes and procedures in the Safety formula.

SECTION 29.3.(b) G.S. 136-189.11(g)(1) reads as rewritten:

"(1) The quantitative criteria used in each highway and nonhighway project scoring, including the methodology used to define each ~~criteria, the criteria presented to the Board of Transportation for approval,~~criteria and any adjustments made to finalize the criteria."

SECTION 29.3.(c) G.S. 136-189.11(h) reads as rewritten:

"(h) Improvement of Prioritization Process. – The Department shall endeavor to continually improve the methodology and criteria used to score highway and non-highway projects pursuant to this Article, including the use of normalization techniques, and methods to strengthen the data collection process. The Department is directed to continue the use of a workgroup process to develop improvements to the prioritization process. Workgroup participants shall include, but not be limited to, the North Carolina League of Municipalities,

the North Carolina Association of County Commissioners, the North Carolina Metropolitan Mayors Coalition, and the North Carolina Council of Regional Governments. The workgroup, led by the Prioritization Office, shall contain a minimum of four representatives each from the North Carolina Association of Municipal Planning Organizations and the North Carolina Association of Rural Planning Organizations, and these members will be selected by a vote of each organization. Department participants in the workgroup shall not exceed half of the total group. Beginning December 1, 2016, the Department shall report annually to the Joint Legislative Transportation Oversight Committee on any changes made to the highway or non-highway prioritization process and the resulting impact to the State Transportation Improvement Program. The General Assembly members and staff may attend all workgroup meetings related to the prioritization process, all subgroup meetings of the workgroup, and have access to all related workgroup or subgroup documents. Notwithstanding any provision of law to the contrary, activities and decisions of the workgroup established under this subsection shall not be subject to review or approval by the Board of Transportation."

SECTION 29.3.(d) G.S. 136-189.11(d) reads as rewritten:

"(d) Transportation Investment Strategy Formula. – Funds subject to the Formula shall be distributed as follows:

...

(2) Regional Impact Projects. – Thirty percent (30%) of the funds subject to this section shall be used for Regional Impact Projects and allocated by population of Distribution Regions based on the most recent estimates certified by the Office of State Budget and Management:

a. Criteria. – A combination of transportation-related quantitative criteria, qualitative criteria, and local input shall be used to rank Regional Impact Projects involving highways that address cost-effective needs from a region-wide perspective and promote economic growth. Local input is defined as the rankings identified by the Department's Transportation Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations. In determining local input, greater weight shall be given to the rankings identified by Metropolitan Planning Organizations and Rural Transportation Planning Organizations. Transportation Division Engineer local input scoring shall take into account public comments. The Department shall ensure that the public has a full opportunity to submit public comments, by widely available notice to the public, an adequate time period for input, and public hearings. Board of Transportation input shall be in accordance with G.S. 136-189.11(g)(1) and G.S. 143B-350(g). The criteria utilized for selection of Regional Impact Projects shall be based thirty percent (30%) on local input and seventy percent (70%) on consideration of a numeric scale of 100 points based on the following quantitative criteria:

1. Benefit cost.
2. Congestion.
3. Safety.
4. Freight.
5. Multimodal.
6. Pavement condition.
7. Lane width.
8. Shoulder width.

- Page 241

in each fiscal year for all projects funded under this sub-subdivision shall not exceed ten million dollars (\$10,000,000) in the aggregate and five million dollars (\$5,000,000) per project.

5. Federal funds for municipal road projects.

c. Bicycle and pedestrian limitation. – The Department shall not provide financial support for independent bicycle and pedestrian improvement projects, except for federal funds administered by the Department for that purpose. This sub-subdivision shall not apply to funds allocated to a municipality pursuant to G.S. 136-41.1 that are committed by the municipality as matching funds for federal funds administered by the Department and used for bicycle and pedestrian improvement projects. This limitation shall not apply to funds authorized for projects in the State Transportation Improvement Program that are scheduled for construction as of October 1, 2013, in State fiscal year 2012-2013, 2013-2014, or 2014-2015.

(4) Criteria for nonhighway projects. – Nonhighway projects subject to this subsection shall be evaluated through a separate prioritization process established by the Department that complies with all of the following:

a. The criteria used for selection of projects for a particular transportation mode shall be based on a minimum of four quantitative criteria.

b. Local input shall include rankings of projects identified by the Department's Transportation Division Engineers, Metropolitan Planning Organizations, and Rural Transportation Planning Organizations. In determining local input, greater weight shall be given to the rankings identified by Metropolitan Planning Organizations and Rural Transportation Planning Organizations. Transportation Division Engineer local input scoring shall take into account public comments. The Department shall ensure that the public has a full opportunity to submit public comments, by widely available notice to the public, an adequate time period for input, and public hearings. Board of Transportation input shall be in accordance with G.S. 136-189.11(g)(1) and G.S. 143B-350(g).

c. The criteria shall be based on a scale not to exceed 100 points that includes no bonus points or other alterations favoring any particular mode of transportation."

SECTION 29.3.(e) This section is effective when this act becomes law.

INCREASE AMOUNT OF MOTOR FUEL TAX RATE DIVERSION TO SHALLOW DRAFT FUND

SECTION 29.4. G.S. 105-449.126(b) reads as rewritten:

"(b) The Secretary shall credit to the Shallow Draft Navigation Channel Dredging and Lake Maintenance Fund ~~one-sixth of one percent (1/6 of 1%)~~ one-half percent (1/2%) of the amount that is allocated to the Highway Fund under G.S. 105-449.125 and is from the excise tax on motor fuel. Revenue credited to the Shallow Draft Navigation Channel Dredging and Lake Maintenance Fund under this section may be used only for the dredging activities described in G.S. 143-215.73F. The Secretary shall credit revenue to the Shallow Draft Navigation Channel Dredging and Lake Maintenance Fund on a quarterly basis. The Secretary must make the distribution within 45 days of the end of each quarter."

1 REQUIRE COUNTY OR MUNICIPALITY TO PAY COSTS ASSOCIATED WITH
2 REQUESTED PROJECT IMPROVEMENTS

3 SECTION 29.5.(a) G.S. 136-66.3(e) reads as rewritten:

4 "(e) Authorization to Participate in Project Additions. – Pursuant to an agreement with
5 the Department of Transportation, a county or municipality ~~may~~shall reimburse the Department
6 of Transportation for the cost of all ~~improvements~~improvements requested by the county or
7 municipality, including additional right-of-way, for a street, highway improvement projects, or
8 other transportation system improvements approved by the Board of Transportation under
9 G.S. 143B-350(f)(4), that are in addition to those improvements that the Department of
10 Transportation would normally include in the project."

11 SECTION 29.5.(b) This section is effective when it becomes law and applies to
12 agreements entered into on or after that date.

13
14 EXPAND USES OF BRIDGE PROGRAM FUNDS

15 SECTION 29.6. Section 34.18(a) of S.L. 2014-100 reads as rewritten:

16 "SECTION 34.18.(a) The Department of Transportation shall rename the "system
17 preservation program" (fund center 1500/157839) the "bridge program." Funds allocated to this
18 program shall be used for improvements to culverts associated with a component of the State
19 highway system and improvements to structurally deficient and functionally obsolete bridges.
20 All projects funded under this program, with the exception of inspection, pre-engineering,
21 contract preparation, contract administration and oversight, and planning activities, shall be
22 outsourced to private contractors."

23
24 DEPARTMENT OF TRANSPORTATION OUT-OF-STATE TRAVEL

25 SECTION 29.7. Section 34.5 of S.L. 2014-100 reads as rewritten:

26 "SECTION 34.5. Expenditures for out-of-state travel by the Department of Transportation
27 for the 2014-2015 fiscal year and all subsequent fiscal years shall not exceed the amount
28 expended during the 2009-2010 fiscal year. For purposes of this section, "expenditures for
29 out-of-state travel" includes transportation, conference, registration, and education expenses,
30 lodging, and meals for Department of Transportation employees traveling outside of the
31 ~~State.~~State, but does not include expenditures charged to federal projects and expenditures
32 reimbursed by non-State entities."

33
34 DOT/OUTSIDE COUNSEL

35 SECTION 29.8.(a) Section 34.27 of S.L. 2013-360, as amended by Section
36 34.24(a) of S.L. 2014-100, is repealed.

37 SECTION 29.8.(b) Subsections (b), (c), and (e) of Section 34.24 of S.L. 2014-100
38 are repealed.

39 SECTION 29.8.(c) G.S. 136-103.1 is repealed.

40 SECTION 29.8.(d) Article 2 of Chapter 136 of the General Statutes is amended by
41 adding a new section to read:

42 "§ 136-18.03. Outside counsel.

43 (a) Intent. – It is the intent of the General Assembly that the Department of
44 Transportation exercise the authority granted by this section to maximize operational and
45 project delivery benefits attributed to the avoidance or successful defense of litigation.

46 (b) Authorization. – The Department of Transportation may engage the services of
47 private counsel with the pertinent expertise to provide legal services related to (i) any project
48 undertaken by the Department and (ii) workers' compensation claims brought by Department
49 employees. The Department shall supervise and manage the private counsel engaged under this
50 section and shall not be required to obtain written permission or approval from the Attorney
51 General under G.S. 114-2.3.

(c) Performance Metrics. – The Department shall develop performance metrics to evaluate its utilization of in-house counsel and private counsel, to include the following:

(1) A summary of new matters opened by legal area.

(2) Case cycle times.

(3) Resolution of cases.

(4) A comparison of in-house costs to billable rates for private counsel.

(5) The process for procurement for legal services.

(d) Report. – The Department shall provide a semiannual report to the Joint Legislative Transportation Oversight Committee and the Joint Legislative Justice and Public Safety Oversight Committee on the performance metrics set forth in subsection (c) of this section."

RIGHT-OF-WAY ACQUISITIONS/REDUCE UNECONOMIC REMNANT PROPERTY

SECTION 29.9.(a) G.S. 136-44.11 is amended by adding a new subsection to read:

"(c) Notwithstanding any other provision of law, the Department shall reduce the total size of each acquired right-of-way by three percent (3%) for the purpose of minimizing the amount of uneconomic remnant property in the State."

SECTION 29.9.(b) This section becomes effective July 1, 2015, and applies to right-of-ways acquired on or after that date.

DOT/REPORT ON CAPITAL IMPROVEMENT NEEDS ESTIMATE

SECTION 29.10. Report. – By October 1, 2015, the Department of Transportation shall provide a detailed report to the Joint Legislative Transportation Oversight Committee on how the Department forms the six-year capital improvement needs estimate required under G.S. 143C-8-4, including how the Department decides (i) how much funding will be required for each fiscal year of the estimate and (ii) what types of projects will be excluded from the estimate.

PRODUCT EVALUATION PROGRAM/INCREASE INNOVATION

SECTION 29.11.(a) Plan. – The Board of Transportation shall develop a plan to bring greater visibility and public awareness to the Product Evaluation Program, a unit of the Department of Transportation that reviews new and innovative technologies and products. As part of its plan, the Board shall add to its monthly public meeting an agenda item that highlights two new technologies, one technology that is under review by the Product Evaluation Program and one technology that was recently approved by the Product Evaluation Program.

SECTION 29.11.(b) Report. – The plan required under subsection (a) of this section shall be submitted to the chairs of the Joint Legislative Transportation Oversight Committee no later than October 1, 2015.

SECTION 29.11.(c) Chapter 136 of the General Statutes is amended by adding a new section to read:

"§ 136-18.03. Product Evaluation Program.

The Product Evaluation Program, or any successor program operated by the Department of Transportation to review and approve or disapprove new and innovative technologies and products for use by the Department, shall complete its evaluation of a technology or product within one year from the date that the technology or product was submitted for evaluation. Nothing in this section shall be construed as requiring the Product Evaluation Program or any successor program to review all technologies and products submitted to the Product Evaluation Program or any successor program."

SECTION 29.11.(d) Subsection (c) of this section becomes effective July 1, 2015, and applies to technologies and products submitted for review on or after that date. The remainder of this section is effective when this act becomes law.

VARIOUS REPORTING CHANGES

SECTION 29.12.(a) G.S. 136-89.183(a)(5) reads as rewritten:

"(5) To fix, revise, charge, retain, enforce, and collect tolls and fees for the use of the Turnpike Projects. ~~Prior to the effective date of any toll or fee for use of a Turnpike Facility, the~~ The Authority shall submit ~~a description of the an~~ annual report describing any proposed toll or fee rates for the following calendar year to use a Turnpike Facility to the Board of Transportation, the Joint Legislative Transportation Oversight Committee and the Joint Legislative Commission on Governmental Operations for ~~review~~ review prior to the effective date of the toll or fee rate."

SECTION 29.12.(b) G.S. 143B-350(f)(4) reads as rewritten:

"(4) To approve a schedule of all major transportation improvement projects and their anticipated cost. This schedule is designated the Transportation Improvement Program. The Board shall publish the schedule in a format that is easily reproducible for distribution and make copies available for ~~distribution~~ distribution in accordance with the process established for public records in Chapter 132 of the General Statutes. The document that contains the Transportation Improvement Program, or a separate document that is published at the same time as the Transportation Improvement Program, shall include the anticipated funding sources for the improvement projects included in the ~~Program~~ Program and a list of any changes made from the previous year's Program, and the reasons for the changes."

SECTION 29.12.(c) G.S. 136-44.8(a1) reads as rewritten:

"(a1) In each county having unpaved roads programmed for paving, representatives of the Department of Transportation shall annually provide to the board of county commissioners in those counties a list of roads proposed for the annual paving program approved by the Board of Transportation. The paving priority list shall include the priority rating of each secondary road paving project included in the proposed paving program according to the criteria and standards adopted by the Board of Transportation. In addition to the list required under this subsection, the Department of Transportation shall annually provide to the board of county commissioners a summary of unpaved secondary road projects completed in the particular county for the prior calendar year, including an indication as to which projects were not completed on schedule and a detailed explanation as to why the projects were not completed on schedule."

SECTION 29.12.(d) G.S. 136-44.9 is repealed.

SECTION 29.12.(e) G.S. 136-28.6(h) reads as rewritten:

"(h) The Secretary shall report in writing, on ~~a quarterly~~ an annual basis, to the Joint Legislative ~~Commission on Governmental Operations~~ Transportation Oversight Committee on all agreements entered into between a private developer and the Department of Transportation for participation in private engineering and construction contracts under this section, as well as (i) agreements by counties and municipalities to participate in private engineering and construction contracts under subsection (i) of this section and (ii) pass-through funding from private developers to counties or municipalities for State transportation projects. The information in the report required by this subsection shall be set forth separately for each division of the Department of Transportation."

SECTION 29.12.(f) G.S. 136-66.3(f) reads as rewritten:

"(f) Report to General Assembly. – The Department shall report in writing, on a ~~monthly~~ an annual basis, to the Joint Legislative ~~Commission on Governmental Operations~~ Transportation Oversight Committee on all agreements entered into between counties, municipalities and the Department of Transportation. The report shall state in summary form

the contents of ~~such~~ the agreements. The information in the report required by this subsection shall be set forth separately for each division of the Department of Transportation."

SECTION 29.12.(g) G.S. 136-28.10(c) reads as rewritten:

"(c) The Secretary of Transportation shall report ~~quarterly~~ annually to the Joint Legislative Transportation Oversight Committee on the implementation of this section. The information in the report required by this subsection shall be set forth separately for each division of the Department of Transportation."

SECTION 29.12.(h) G.S. 143B-350 is amended by adding a new subsection to read:

"(p) Reports. – Notwithstanding any other provision of law, any report required to be submitted by the Board to the General Assembly or a committee thereof is due by the 15th day of the month that the report is due."

OUTSOURCING OF PRECONSTRUCTION ACTIVITY

SECTION 29.13.(a) Section 34.13(a) of S.L. 2014-100 reads as rewritten:

"**SECTION 34.13.(a)** The Department of Transportation shall seek to increase the use of contracts to further privatize preconstruction work where practical, economical, and likely to lead to increased efficiency. In doing so, the Department of Transportation shall meet each of the following privatization requirements:

- (1) Increase the outsourcing of all activities performed by the Department's Preconstruction and Technical Services units to seventy percent (70%) of the total cost of activities performed by those units in fiscal year ~~2014-2015, 2015-2016~~, excluding the cost of activities performed by the Turnpike Authority, the Structures Design and Management unit, and the Bridge Program.
- (2) Increase the outsourcing of all activities performed by the Department's Roadway Design unit to fifty percent (50%) of the total cost of activities performed by that unit in fiscal year ~~2014-2015, 2015-2016~~.
- (3) Increase the outsourcing of all activities performed by the Department's Project Development and Environmental Analysis unit to sixty-five percent (65%) of the total cost of activities performed by that unit in fiscal year ~~2014-2015, 2015-2016~~.
- (4) ~~The~~ Based on the total expenditures for outsourced activity in fiscal year 2013-2014, the Department's Right-of-Way unit shall increase the total expenditures for outsourced activity by five percent (5%) in fiscal year ~~2014-2015, 2015-2016~~."

SECTION 29.13.(b) Section 34.13(d) of S.L. 2014-100 reads as rewritten:

"**SECTION 34.13.(d)** The Department shall report no later than October 1, ~~2014, 2015~~, and quarterly thereafter, to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division regarding its implementation of this section, including any reductions in force used to meet privatization requirements."

ESTABLISHMENT OF "DOT REPORT" PROGRAM

SECTION 29.14.(a) It is the intent of the General Assembly that North Carolina's reputation as the "Good Roads State" is restored, which requires a partnership between the Governor, the Department of Transportation, the General Assembly, and all North Carolina citizens. Further, the General Assembly finds that improving the condition of North Carolina's roads requires increased oversight, accountability, innovation, and efficiency. It is the belief of the General Assembly that, through increased transparency and responsiveness to the public, the condition of the roads in this State will be the best in the nation within 10 years.

1 **SECTION 29.14.(b)** To achieve the intent set forth in subsection (a) of this
2 section, the Department of Transportation shall establish and implement the "DOT REPORT"
3 Program (Program). The Program shall include the following components:

- 4 (1) Responsiveness. – The Department of Transportation shall expand the
5 Program to gather citizen input and shall commit to quickly addressing
6 structural problems and other road hazards on State-maintained roads.
7 Citizens may report potholes, drainage issues, culvert blockages, guardrail
8 repairs, damaged or missing signs, malfunctioning traffic lights, highway
9 debris, or shoulder damage to the Department of Transportation by calling
10 1-877-DOT-4YOU or submitting an online work request through the Web
11 site link <http://www.ncdot.gov/reportDOT/fixmyroad>. Beginning January 1,
12 2016, upon receiving a citizen report in accordance with this subdivision, the
13 Department of Transportation shall either address the reported problem or
14 identify a solution to the reported problem. Excluding potholes, which shall
15 be repaired within two business days of the date the report is received, the
16 Department of Transportation shall properly address citizen reports no later
17 than 10 business days after the date the citizen report is received. The
18 Department of Transportation shall transmit information received about
19 potholes or other problems on roads not maintained by the State to the
20 appropriate locality within two business days of receiving the citizen report.
- 21 (2) Efficiency. – The Department of Transportation shall adopt procedures in all
22 stages of the construction process to streamline project delivery, including
23 consolidating environmental review processes, expediting multiagency
24 reviews, accelerating right-of-way acquisitions, and pursuing design-build
25 and other processes to collapse project stages.

26 By October 1, 2015, the Department of Transportation shall establish a
27 baseline unit pricing structure for transportation goods used in highway
28 maintenance and construction projects and set annual targets for three years
29 based on its unit pricing. In forming the baseline unit prices and future
30 targets, the Department of Transportation shall collect data from each
31 Highway Division on its expenditures on transportation goods during the
32 2015-2016 fiscal year. Beginning January 1, 2016, no Highway Division
33 shall exceed a ten-percent (10%) variance over a baseline unit price set for
34 that year in accordance with this subdivision. The Department of
35 Transportation shall institute quarterly tracking to monitor pricing variances.
36 The ten-percent (10%) maximum variance set under this subdivision is
37 intended to account for regional differences requiring varying product mixes.
38 The Department of Transportation shall report to the Joint Legislative
39 Transportation Oversight Committee and the Fiscal Research Division on
40 October 1, 2015, on information required by this subdivision. If a Highway
41 Division exceeds the unit pricing threshold, the Department of
42 Transportation shall report to the Joint Legislative Transportation Oversight
43 Committee and the Fiscal Research Division no later than the fifteenth day
44 following the end of the quarter on why the variance occurred and what
45 steps are being taken to bring the Highway Division back into compliance.
46 In order to drive savings, unit pricing may be reduced annually as
47 efficiencies are achieved.

- 48 (3) Performance. – Beginning October 1, 2015, the Secretary of the Department
49 of Transportation shall conduct an annual job satisfaction survey of all
50 Department of Transportation personnel that shall address relationships
51 among all levels of leadership, work environment, issues impacting job

performance, and leadership performance in creating the dynamic work environment necessary to meet new performance outcomes. In addition, the Department of Transportation shall conduct an annual survey of North Carolina citizens to measure the level of citizen satisfaction with the condition of the roads and highways of this State. Within 30 days of compiling the information received from surveys conducted in accordance with this subdivision, the results of these surveys shall be reported to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

- (4) Oversight. – No later than May 1, 2016, and to increase budget transparency and allow for greater legislative and citizen oversight, the Department of Transportation, in consultation with the Fiscal Research Division and the Office of State Budget and Management, shall reclassify the funding source for all full-time positions that are budgeted as receipt-supported on the basis of charging to projects to appropriation and shall adjust budgeted funds accordingly. Employees in the Division of Highways shall be attributed to the respective Highway Division fund codes within the Highway Fund. Notwithstanding any other provision of law, the Department of Transportation is authorized to reallocate sufficient funds from the Primary Maintenance, Secondary Maintenance, and General Maintenance Reserve fund codes to each Highway Division to pay for salary and related costs associated with the reclassified positions. Receipt-supported positions in other organizational units within the Department of Transportation shall be funded through existing fund codes and funding sources for their assigned organizational units.

- (5) Restructure. – An unbiased review of the organization, staffing, and operations of the Division of Highways within the Department of Transportation is needed to improve the efficiency and effectiveness of the Division of Highways' operations and to align operations and staffing with the strategic goals set for the Division of Highways. To that end, the Joint Legislative Transportation Oversight Committee, through the Fiscal Research Division and in consultation with the Department of Transportation, shall study and review the Division of Highways. The Joint Legislative Transportation Oversight Committee may use a Request for Information process or a Request for Proposals process to contract with a qualified consulting firm to perform this review and study. The study and review, at a minimum, shall include all of the following:

- a. A review of current Division of Highways' operations, staffing levels, and employee performance management efforts.
- b. An evaluation of current laws and policies related to Division of Highways' operations and staffing.
- c. Recommendations on how best to align staffing with strategic goals and workload.
- d. Recommendations on performance- or incentive-based systems to improve the effectiveness of the Division of Highways.
- e. Recommendations on whether current laws and policies should be continued or modified based upon study results and human resource best practices.

Upon request, the Division of Highways shall provide any information, data, or documents within their possession, available from the Department of Transportation or other State agency records, as well as any other relevant

information, data, or documents to complete this study and review. Information, data, and documents shall be provided in a timely manner to both the Fiscal Research Division and the consultant, if any. Upon request of the Fiscal Research Division or the consultant, if any, the Division of Highways shall dedicate and identify staff to aid in the reviews required in completing this report. The study and review shall be completed by March 31, 2016. The Joint Legislative Transportation Oversight Committee shall report its findings to the 2015 Regular Session of the General Assembly upon its convening in 2016.

(6) Transparency. – In order for the public to access up-to-date information on highway and bridge projects and hold the Department of Transportation accountable for completing projects on time, the Department of Transportation shall adjust its performance dashboard available on the Department of Transportation's home page to track the weekly progress of all of the following:

- a. Maintenance projects costing over one million dollars (\$1,000,000).
- b. Bridge replacement projects.
- c. Bridge repair and bridge renovation projects requiring road closures in excess of 24 hours.
- d. All construction projects included in the five-year State Transportation Improvement Program.

The Department of Transportation's performance dashboard shall also be expanded to include Highway Division- and county-specific data with more detailed financial reporting and project delivery tracking. Dashboard enhancements required under this subdivision shall be completed by March 1, 2016.

SECTION 29.14.(c) This section is effective when this act becomes law.

STUDY/TURNPIKE AUTHORITY PROCESSING FEE

SECTION 29.15.(a) Study. – The Department of Transportation shall study whether the amount of the processing fee set forth in G.S. 136-89.215 is in excess of the actual cost to collect and process unpaid open road tolls. The following information, set forth separately for each fiscal year since the fee's enactment, shall be included within the study:

- (1) The amount of the processing fee.
- (2) The total amount of proceeds generated by the imposition of the processing fee.
- (3) The total amount of costs incurred by the Turnpike Authority to collect and process unpaid open road tolls and a description of how the Department determined the total amount of costs incurred.
- (4) An identification of whether the processing fees collected exceeded, equaled, or fell short of the costs incurred by the Turnpike Authority for collecting and processing unpaid open road tolls.

SECTION 29.15.(b) Report. – The Department shall report its findings to the Joint Legislative Transportation Oversight Committee by October 1, 2015.

ALLOCATION OF CONTRACT RESURFACING FUNDS

SECTION 29.16. Allocation. – Of the eighty-seven million four hundred seventeen thousand four hundred forty-two dollars (\$87,417,442) appropriated in this act for fiscal year 2015-2016 and the two hundred fourteen million six hundred sixty-nine thousand five hundred ninety-four dollars (\$214,669,594) appropriated in this act for fiscal year 2016-2017 to the Department of Transportation for contract resurfacing, and notwithstanding any provision of

law to the contrary, the Department shall, to the extent practicable, allocate these funds equally to each county in this State.

USE OF FUNDS FOR PAVEMENT PRESERVATION PROGRAM

SECTION 29.17.(a) G.S. 136-44.17 reads as rewritten:

"§ 136-44.17. Pavement preservation program.

...

(b) Eligible Activities or Treatments. – Applications eligible for funding under the pavement preservation program include the following preservation activities or treatments for asphalt pavement structures:

- (1) Chip seals, slurry seals, fog seals, sand seals, scrub seals, and cape seals.
- (2) Microsurfacing.
- (3) Profile milling not covered by resurfacing.
- (4) Asphalt rejuvenators.
- (5) Open graded asphalt friction course.
- (6) Overlays less than 1,000 feet in length.
- (7) Diamond grinding.
- (8) Joint sealing.
- (9) Dowel bar retrofit.
- (10) Partial-depth or full-depth repairs and reclamations.
- (11) Ultra-thin whitetopping.
- (12) Thin lift and sand asphalt overlays.
- (13) Asphalt crack sealing.

(c) Ineligible Activities or Treatments. – The pavement preservation program shall not include the following preservation activities or treatments:

- (1) Contract resurfacing activities or major pavement rehabilitation treatments and pretreatments that are used in combination with a resurfacing treatment, such as profile milling or chip seals.
- (2) Routine maintenance activities used to maintain and preserve the condition of roads. Treatments include, but are not limited to, ~~asphalt crack sealing~~, pothole patching, rut filling, cleaning of roadside ditches and structures, shoulder maintenance, and retracing of pavement markings.
- (3) Maintenance and preservation activities performed on bridges or culverts.
- (4) Activities related to positive guidance or signal maintenance program functions.

(d) Encumbrance Schedule. – The Department of Transportation shall spend or encumber all funds appropriated by the General Assembly to the Department for the pavement preservation program by June 30 of the fiscal year in which the funds were appropriated."

SECTION 29.17.(b) Subsection (k) of Section 34.11 of S.L. 2014-100 is repealed.

SECTION 29.17.(c) This section becomes effective July 1, 2015, and applies to funds appropriated on or after that date.

REPORT/USE OF COAL COMBUSTION RESIDUALS

SECTION 29.18. Report. – By January 15, 2016, the Utilities Commission shall submit a report to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Transportation Oversight Committee, and the Environmental Review Commission on the incremental cost incentives related to coal combustion residuals surface impoundments for investor-owned public utilities. The report shall include all of the following:

- (1) The Utilities Commission policy on allowed incremental cost recoupment.
- (2) The impact on utility customers' rates under the current policy on allowed incremental cost recoupment.

- (3) Possible revisions to the current policy on allowed incremental cost recoupment that would promote reprocessing and other technologies that allow the reuse of coal combustion residuals stored in surface impoundments for concrete and other beneficial end uses.

BONUS ALLOCATION FOR MID-CURRITUCK BRIDGE PROJECT

SECTION 29.19. G.S. 136-189.11(f) reads as rewritten:

"(f) Incentives for Local Funding and Highway Tolling. – The Department may revise highway project selection ratings based on local government funding initiatives and capital construction funding directly attributable to highway toll revenue. Projects Subject to the following requirements and limitations, projects authorized for construction after November 1, 2013, and contained in the 10-year Department of Transportation work program are eligible for a bonus allocation under this subsection:

- ...
- (3) Funds obtained through highway tolling. – Upon authorization to construct a project with funding from toll revenue, the Department shall make available for allocation an amount equal to one-half of the project construction cost derived from toll revenue bonds. The amount made available for allocation to other eligible highway projects shall not exceed two hundred million dollars (\$200,000,000) of the capital construction funding directly attributable to the highway toll revenues committed in the Investment Grade Traffic and Revenue Study, for a project for which funds have been committed on or before July 1, 2015. The amount made available for allocation to other eligible highway projects shall not exceed one hundred million dollars (\$100,000,000) of the capital construction funding directly attributable to the highway toll revenues committed in the Investment Grade Traffic and Revenue Study, for a project for which funds are committed after July 1, 2015. If the toll project is located in one or more Metropolitan Planning Organization or Rural Transportation Planning Organization boundaries, based on the boundaries in existence at the time of letting of the project construction contract, the bonus allocation shall be distributed proportionately to lane miles of new capacity within the Organization's boundaries. The Organization shall apply the bonus allocation only within those counties in which the toll project is located. Notwithstanding the requirement in this subsection directing the distribution of a bonus allocation to a Metropolitan Planning Organization, Rural Planning Organization, or local government, a bonus allocation made available under this subdivision for the Mid-Currituck Bridge project shall be distributed to the highway division having jurisdiction over the county where the Mid-Currituck Bridge project is located for use in accordance with subdivision (4) of this subsection. Nothing in this subdivision shall be construed as requiring the construction of the Mid-Currituck Bridge project.

...."

UTILITY RELOCATION

SECTION 29.20.(a) G.S. 136-27.1 reads as rewritten:

"§ 136-27.1. Relocation of water and sewer lines of municipalities and nonprofit water or sewer corporations or associations.

The Department of Transportation shall pay the nonbetterment cost for the relocation of water and sewer lines, located within the existing State transportation project right-of-way, that are necessary to be relocated for a State transportation improvement project and that are owned

by: (i) a municipality with a population of ~~5,500~~10,000 or less according to the latest decennial census; (ii) a nonprofit water or sewer association or corporation; (iii) any water or sewer system organized pursuant to Chapter 162A of the General Statutes; (iv) a rural water system operated by a County as an enterprise system; (v) any sanitary district organized pursuant to Part 2 of Article 2 of Chapter 130A of the General Statutes; or (vi) constructed by a water or sewer system organized pursuant to Chapter 162A of the General Statutes and then sold or transferred to a municipality with a population of greater than ~~5,500~~10,000 according to the latest decennial census. A municipality with a population greater than 10,000 shall pay a percentage of the nonbetterment cost for relocation of water and sewer lines, owned by the municipality and located within the existing State transportation project right-of-way, that are necessary to be relocated for a State transportation improvement project. The percentage shall be based on the municipality's population, with the Department paying the remaining costs, as follows:

- (1) A municipality with a population greater than 10,000, but less than 25,000, shall pay twenty-five percent (25%) of the cost.
- (2) A municipality with a population of 25,000 or greater, but less than 50,000, shall pay fifty percent (50%) of the cost.
- (3) A municipality with a population of 50,000 or greater shall pay one hundred percent (100%) of the cost."

SECTION 29.20.(b) This section is effective when it becomes law.

RAIL DIVISION/STUDY ESTABLISHING COMMERCIAL FREIGHT RAIL SERVICE IN JACKSONVILLE

SECTION 29.21.(a) Study. – The Rail Division of the Department of Transportation, in collaboration with the Camp Lejeune Marine Corps Air Base, the Jacksonville Urban Area Metropolitan Planning Organization, the City of Jacksonville, Onslow County, and the Norfolk Southern Railway Company, shall study the feasibility and advisability of establishing a commercial freight rail service along the Camp Lejeune rail line located in Onslow County, North Carolina. The study shall include all of the following:

- (1) An evaluation of the maintenance needs of the existing rail line and any enhancements needed to support commercial freight access.
- (2) An evaluation of the use of partnership opportunities to complete long-term maintenance and enhancements in order to minimize the cost burden for all parties involved.
- (3) Any other matters that the Rail Division deems relevant to the study.

SECTION 29.21.(b) Report. – The Rail Division shall report its findings to the Chairs of the Senate Appropriations Committee on the Department of Transportation and the House of Representatives Committee on Transportation Appropriations by July 1, 2016.

PASSENGER RAIL RECEIPT-GENERATING ACTIVITIES

SECTION 29.22.(a) G.S. 136-18 is amended by adding a new subdivision to read:

"(44a) Where the Department owns or leases the passenger rail facility, owns the rail equipment, or holds leasehold or license rights for the purpose of operating passenger stations, the Department may operate or contract for the following receipt-generating activities and use the proceeds to fund passenger rail operations:

- a. Where the Department owns the passenger rail facility or owns or leases the rail equipment, operation of concessions on State-funded passenger trains and at passenger rail facilities to provide to passengers food, drink, and other refreshments, personal comfort

items, Internet access, and souvenirs publicizing the passenger rail system.

b. Where the Department holds leasehold or license rights for the purpose of operating passenger stations, operation of concessions at rail passenger facilities to provide food, drink, and other refreshments, personal comfort items, Internet access, and souvenirs publicizing the passenger rail system, in accordance with the terms of the leasehold or license.

c. Advertising on or within the Department's passenger rail equipment or facility, including display advertising and advertising delivered to passengers through the use of video monitors, public address systems installed in passenger areas, and other electronic media.

d. The sale of naming rights to Department-owned passenger rail equipment or facilities."

SECTION 29.22.(b) G.S. 66-58(c)(21) reads as rewritten:

"(21) Any activity conducted or contracted for by the Department of Transportation that is authorized by G.S. 136-18(44a) or G.S. 136-82(f)."

FREIGHT RAIL & RAIL CROSSING SAFETY IMPROVEMENT FUND USES

SECTION 29.23. G.S. 124-5.1 reads as rewritten:

"§ 124-5.1. North Carolina Railroad Company dividends deposited to Highway Fund.

Any dividends of the North Carolina Railroad Company received by the State shall be deposited into the Freight Rail & Rail Crossing Safety Improvement Fund within the Highway Fund and administered by the Rail Division of the Department of Transportation. The Fund shall be used for the enhancement of freight rail service and railroad-roadway crossing safety, which may include the following project types:

- (1) Track and associated infrastructure improvements for freight service.
- (2) Grade crossing protection, elimination, and hazard removal.
- (3) Signalization improvements.
- (4) Assistance for projects to improve rail access to industrial, port, and military facilities and for freight intermodal facility improvements, provided that funding assistance under this subdivision shall be subject to the same limits as that for short-line railroads under G.S. 136-44.39.

(5) Corridor protection and reactivation.

The Fund may also be used to supplement funds allocated for freight rail or railroad-roadway crossing safety projects approved as part of the Transportation Improvement Program."

FERRY TOLLS/REMOVE EXEMPTION FROM CHAPTER 150B

SECTION 29.24.(a) G.S. 136-82(b) reads as rewritten:

"(b) Establishment of Tolling. – The Board of Transportation may establish tolls on any untolled ferry route as set forth in this subsection. Prior to establishing tolls on an untolled ferry route, the Board of Transportation must receive a resolution approved by the Transportation Advisory Committee of each affected local transportation planning organization requesting tolls on that route. No later than March 1, 2014, the Department shall hold a separate public hearing in the geographic area of each untolled ferry route and invite each affected local transportation planning organization. At the public hearing, the Department shall present an explanation of the toll setting methodology, the impact of tolling on the availability of funding for other local transportation priorities, and the minimum and maximum toll rates. After the public hearing, an affected local transportation planning organization may consider and adopt a ferry tolling resolution. The Board of Transportation shall adopt the toll at its next regularly

1 scheduled meeting after receipt of the ferry tolling resolutions required by this subsection. The
2 Department shall collect the toll as soon as is feasible following its adoption, but in no case
3 more than 180 days after adoption of the toll. ~~The establishment of tolls by the Board of~~
4 ~~Transportation pursuant to the authority granted in this section shall be exempt from the~~
5 ~~provisions of Chapter 150B of the General Statutes.~~ For purposes of this section, "affected local
6 transportation planning organization" means any Metropolitan Planning Organization or Rural
7 Transportation Planning Organization with geographic jurisdiction over any part of an untolled
8 ferry route, and "untolled ferry route" means any ferry route for which no tolls were in effect as
9 of June 30, 2013."

10 **SECTION 29.24.(b)** This section becomes effective July 1, 2015, and applies to
11 tolls established or revised on or after that date.

12
13 **REMOVE FERRY VESSEL REPLACEMENT FROM STI/BRIDGE PROGRAM**
14 **REVISIONS**

15 **SECTION 29.25.(a)** G.S. 136-189.10 reads as rewritten:

16 **"§ 136-189.10. Definitions.**

17 The following definitions apply in this Article:

18 ...

19 (2) Division needs projects. – Includes only the following:

- 20 a. Projects listed in subdivision (3) or (4) of this section, subject to the
21 limitations noted in those subsections.
- 22 b. State highway routes not included in subdivision (3) or (4) of this
23 section.
- 24 c. Airports included in the NPIAS that are not included in subdivision
25 (3) or (4) of this section, provided that the State's total annual
26 financial participation under this sub-subdivision shall not exceed
27 eighteen million five hundred thousand dollars (\$18,500,000).
- 28 d. Rail lines not included in subdivision (3) or (4) of this section. This
29 sub-subdivision does not include short-line railroads.
- 30 e. Public transportation service not included in subdivision (3) or (4) of
31 this section. This sub-subdivision includes commuter rail, intercity
32 rail, and light rail.
- 33 f. Multimodal terminals and stations serving passenger transit systems.
- 34 g. Federally funded independent bicycle and pedestrian improvements.
- 35 ~~h. Replacement of State-maintained ferry vessels.~~
- 36 i. Federally funded municipal road projects.

37 (3) Regional impact projects. – Includes only the following:

- 38 a. Projects listed in subdivision (4) of this section, subject to the
39 limitations noted in that subdivision.
- 40 b. U.S. highway routes not included in subdivision (4) of this section.
- 41 c. N.C. highway routes not included in subdivision (4) of this section.
- 42 d. Commercial service airports included in the NPIAS that are not
43 included in subdivision (4) of this section, provided that the State's
44 annual financial participation in any single airport project included in
45 this subdivision may not exceed three hundred thousand dollars
46 (\$300,000).
- 47 e. The State-maintained ferry system, excluding ~~passenger~~—vessel
48 rehabilitation and replacement.
- 49 f. Rail lines that span two or more counties not included in subdivision
50 (4) of this section. This sub-subdivision does not include short-line
51 railroads.

- g. Public transportation service that spans two or more counties and that serves more than one municipality. Programmed funds pursuant to this sub-subdivision shall not exceed ten percent (10%) of any distribution region allocation. This sub-subdivision includes commuter rail, intercity rail, and light rail.

...."

SECTION 29.25.(b) Section 34.18(a) of S.L. 2014-100, as amended by Section 29.6 of this act, reads as rewritten:

"**SECTION 34.18.(a)** The Department of Transportation shall rename the "system preservation program" (fund center 1500/157839) the "bridge program." Funds allocated to this program shall be used for (i) improvements to culverts associated with a component of the State highway system and system, (ii) improvements to structurally deficient and functionally obsolete bridges, (iii) ferry vessel replacement projects, and (iv) ferry vessel rehabilitation projects. All projects funded under this program, with the exception of inspection, pre-engineering, contract preparation, contract administration and oversight, and planning activities, activities, ferry vessel replacement, and ferry vessel rehabilitation, shall be outsourced to private contractors."

SECTION 29.25.(c) G.S. 136-82(d) reads as rewritten:

"(d) Use of Toll Proceeds. – ~~The Except for the net proceeds from tolls collected and other receipts generated from the operation of walk-on only ferry vessels on the~~ Ocracoke/Hatteras ferry route, the Department of Transportation shall credit the proceeds from tolls collected on North Carolina Ferry System routes and receipts generated under subsection (f) of this section to reserve accounts within the Highway Fund for each of the Highway Divisions in which system terminals are located and fares are earned. For the purposes of this subsection, fares are earned based on the terminals from which a passenger trip originates and terminates. Commuter pass receipts shall be credited proportionately to each reserve account based on the distribution of trips originating and terminating in each Highway Division. The proceeds credited to each reserve account the bridge program under the Department of Transportation in the highway maintenance program, and the proceeds shall be used exclusively for prioritized North Carolina Ferry System ferry passenger-vessel rehabilitation or replacement projects in the Division in which the proceeds are earned. projects. The Department of Transportation shall credit the net proceeds from tolls collected and other receipts generated from the operation of walk-on only ferry vessels on the Ocracoke/Hatteras ferry route to a reserve account within the Highway Fund for the Highway Division in which the system terminal is located and the fares are earned and the proceeds shall be used for operations and system improvements. Proceeds may be used to fund ferry passenger-vessel rehabilitation or replacement projects or supplement funds allocated for ferry passenger-vessel rehabilitation or replacement projects approved in the Transportation Improvement Program."

SECTION 29.25.(d) Except for the reserve account within the Highway Fund in which the net proceeds from tolls collected and other receipts generated from the operation of walk-on only ferry vessels on the Ocracoke/Hatteras ferry route are credited, the reserve accounts within the Highway Fund in which the proceeds from tolls collected on North Carolina Ferry System routes are credited under G.S. 136-82 shall be closed and the remaining unencumbered fund balance shall be transferred to the bridge program (Fund Code 84210-7839).

CLARIFY APPLICABILITY OF STI TO ACQUISITION OF WALK-ON ONLY FERRY VESSELS FOR OCRACOKE/HATTERAS FERRY ROUTE

SECTION 29.26. The acquisition of walk-on only ferry vessels for the Ocracoke/Hatteras ferry route shall not be subject to Article 14B of Chapter 136 of the General Statutes.

USE OF FUNDS APPROPRIATED TO DIVISION OF AVIATION

SECTION 29.27. The Division of Aviation of the Department of Transportation may use funds appropriated in this act to the Division for time-sensitive, aviation-related economic development projects.

UNMANNED AIRCRAFT SYSTEM LAW CLARIFICATION

SECTION 29.28.(a) Section 7.16(e) of S.L. 2013-360, as amended by Section 7.11(a) of S.L. 2014-100, reads as rewritten:

"SECTION 7.16.(e) Until December 31, 2015, ~~no State or local governmental entity or officer may procure or operate an unmanned aircraft system or disclose personal information about any person acquired through the operation of an unmanned aircraft system unless the State CIO approves an exception specifically granting disclosure, use, or purchase. Any exceptions to the prohibition in this subsection shall be reported immediately the State CIO shall have the authority to approve or disapprove (i) the procurement or operation of an unmanned aircraft system by agents or agencies of the State or a political subdivision of the State and (ii) the disclosure of personal information about any person acquired through the operation of an unmanned aircraft system by agents or agencies of the State or a political subdivision of the State. When making a decision under this subsection, the State CIO may consult with the Division of Aviation of the Department of Transportation. The State CIO shall immediately report to the Joint Legislative Oversight Committee on Information Technology and the Fiscal Research Division. Division on all decisions made under this subsection. Notwithstanding G.S. 63-95(c), agents or agencies of the State or a political subdivision of the State that receive State CIO approval under this subsection may procure or operate an unmanned aircraft system prior to the implementation of the knowledge test required by G.S. 63-95. In addition to receiving approval from the State CIO under this subsection, agents or agencies of the State or a political subdivision of the State who submit a request on or after the date of implementation of the knowledge test required by G.S. 63-95 shall also be subject to the provisions of that section. The following definitions apply in this section:~~

- (1) "Unmanned aircraft" means an aircraft that is operated without the possibility of human intervention from within or on the aircraft.
- (2) "Unmanned aircraft system" means an unmanned aircraft and associated elements, including communication links and components that control the unmanned aircraft that are required for the pilot in command to operate safely and efficiently in the national airspace system."

SECTION 29.28.(b) Section 34.30(j) of S.L. 2014-100 reads as rewritten:

"SECTION 34.30.(j) ~~No~~Except as authorized under Section 7.16(e) of S.L. 2013-360, as amended by Section 7.11(a) of S.L. 2014-100, ~~no operation of unmanned aircraft systems by agents or agencies of the State, or agents or agencies of State or a political subdivision of the State, State shall be authorized in this State until the knowledge and skills test required by G.S. 63-95, as enacted in subsection (g) of this section, has been implemented.~~

No operation of unmanned aircraft systems for commercial purposes shall be authorized in this State until the FAA has authorized commercial operations and the licensing system required by G.S. 63-96, as enacted in subsection (g) of this section, has been implemented."

SECTION 29.28.(c) G.S. 63-95(b) reads as rewritten:

"(b) The Division shall develop a knowledge ~~and skills~~ test for operating an unmanned aircraft system that complies with all applicable State and federal regulations and shall provide for administration of the test. The test shall ensure that the operator of an unmanned aircraft system is knowledgeable of the State statutes and regulations regarding the operation of unmanned aircraft systems. The Division may permit a person, including an agency of this State, an agency of a political subdivision of this State, an employer, or a private training

1 facility, to administer the test developed pursuant to this subsection, provided the test is the
2 same as that administered by the Division and complies with all applicable State and federal
3 regulations."

4 **SECTION 29.28.(d)** G.S. 63-96 reads as rewritten:

5 "**§ 63-96. License-Permit required for commercial operation of unmanned aircraft**
6 **systems.**

7 (a) No person shall operate an unmanned aircraft system, as defined in G.S. 15A-300.1,
8 in this State for commercial purposes unless the person is in possession of a license-permit
9 issued by the Division valid for the unmanned aircraft system being operated. Application for
10 such license-permit shall be made in the manner provided by the Division. Unless suspended or
11 revoked, the license-permit shall be effective for a period to be established by the Division not
12 exceeding eight years.

13 (b) No person shall be issued a license-permit under this section unless all of the
14 following apply:

15 (1) The person is at least ~~18~~ 17 years of age.

16 (2) The person possesses a valid drivers license issued by any state or territory
17 of the United States or the District of Columbia.

18 (3) The person has passed the knowledge ~~and skills~~ test for operating an
19 unmanned aircraft system as prescribed in G.S. 63-95(b).

20 (4) The person has satisfied all other applicable requirements of this Article or
21 federal regulation.

22 (c) A license-permit to operate an unmanned aircraft system for commercial purposes
23 shall not be issued to a person while the person's license or permit to operate an unmanned
24 aircraft system is suspended, revoked, or cancelled in any state.

25 (d) The Division shall develop and administer a program that complies with all
26 applicable federal regulations to license-issue permits to operators of unmanned aircraft
27 systems for commercial purposes. The program must include the following components:

28 (1) A system for classifying unmanned aircraft systems based on characteristics
29 determined to be appropriate by the Division.

30 (2) A fee structure for licenses ~~permits~~.

31 (3) A license-permit application process ~~process~~, which shall include a
32 requirement that the Division provide notice to an applicant of the Division's
33 decision on issuance of a permit no later than 10 days from the date the
34 Division receives the applicant's application.

35 (4) Technical guidance for complying with program requirements.

36 (5) Criteria under which the Division may suspend or revoke a license ~~permit~~.

37 (6) Criteria under which the Division may waive licensure-permitting
38 requirements for applicants currently holding a valid license or permit to
39 operate unmanned aircraft systems issued by another state or territory of the
40 United States, the District of Columbia, or the United States.

41 (7) A designation of the geographic area within which a licensee-permittee shall
42 be authorized to operate an unmanned aircraft system. The rules adopted by
43 the Division for designating a geographic area pursuant to this subdivision
44 shall be no more restrictive than the rules or regulations adopted by the
45 Federal Aviation Administration for designating a geographic area for the
46 commercial operation of unmanned aircraft systems.

47 (8) Requirements pertaining to the collection, use, and retention of data by
48 licensees-permittees obtained through the operation of unmanned aircraft
49 systems, to be established in consultation with the State Chief Information
50 Officer.

- (9) Requirements for the marking of each unmanned aircraft system operated pursuant to a ~~license-permit~~ issued under this section sufficient to ~~permit~~ allow identification of the owner of the system and the person ~~licensed~~ issued a permit to operate it.
- (10) A system for providing agencies that conduct other operations within regulated airspace with the identity and contact information of ~~licensees~~ permittees and the geographic areas within which the ~~licensee-permittee~~ is permitted-authorized to operate an unmanned aircraft system.
- (e) A person who operates an unmanned aircraft system for commercial purposes other than as ~~permitted-authorized~~ under this section shall be guilty of a Class 1 misdemeanor.
- (f) The Division may issue rules and regulations to implement the provisions of this section."

SECTION 29.28.(e) Prior to the implementation of the knowledge test and permitting process required by G.S. 63-96, any person authorized by the FAA for commercial operation of an unmanned aircraft system in this State shall not be in violation of that statute, provided that they make application for a State permit for commercial operation within 60 days of the full implementation of the permitting process and are issued a State commercial operation permit in due course.

SECTION 29.28.(f) This section is effective when this act becomes law.

MOTOR FUEL TAX RATE CHANGE

SECTION 29.29.(a) G.S. 105-449.80(a), as amended by Section 2.2(a) of S.L. 2015-2, reads as rewritten:

"(a) Rate. – ~~For the period that begins Beginning on January 1, 2016, and ends on June 30, 2016,~~ the motor fuel excise tax rate is a flat rate of ~~thirty-five cents (35¢)~~ thirty-six cents (36¢) per gallon. ~~For the period that begins on July 1, 2016, and ends on December 31, 2016,~~ the motor fuel excise tax rate is a flat rate of ~~thirty-four cents (34¢)~~ per gallon. ~~For the calendar years beginning on January 1, 2017, the motor fuel excise tax rate is a flat rate of thirty-four cents (34¢) per gallon, multiplied by a percentage.~~ gallon for diesel fuel and thirty-three cents (33¢) per gallon for all other motor fuels. For calendar years beginning on or after January 1, ~~2018, 2017,~~ the motor fuel excise tax rate is the amount for the preceding calendar year, multiplied by a percentage. The percentage is one hundred percent (100%) plus or minus the sum of the following:

- (1) The percentage change in population for the applicable calendar year, as estimated under G.S. 143C-2-2, multiplied by seventy-five percent (75%).
- (2) The annual percentage change in the Consumer Price Index for All Urban Consumers, multiplied by twenty-five percent (25%). For purposes of this subdivision, "Consumer Price Index for All Urban Consumers" means the United States city average for energy index contained in the detailed report released in the October prior to the applicable calendar year by the Bureau of Labor Statistics of the United States Department of Labor."

SECTION 29.29.(b) This section becomes effective January 1, 2016.

INCREASE DMV FEES

SECTION 29.30.(a) G.S. 20-7 reads as rewritten:

"§ 20-7. Issuance and renewal of drivers licenses.

...

(i) Fees. – The fee for a regular drivers license is the amount set in the following table multiplied by the number of years in the period for which the license is issued:

Class of Regular License	Fee for Each Year
Class A	\$4.00 <u>\$6.00</u>

1 Class B \$4.00\$6.00

2 Class C \$4.00\$6.00

3 The fee for a motorcycle endorsement is ~~one dollar and seventy-five cents (\$1.75)~~ two dollars
4 and sixty cents (\$2.60) for each year of the period for which the endorsement is issued. The
5 appropriate fee shall be paid before a person receives a regular drivers license or an
6 endorsement.

7 (1) Restoration Fee. – Any person whose drivers license has been revoked pursuant to
8 the provisions of this Chapter, other than G.S. 20-17(a)(2) shall pay a restoration fee of ~~fifty~~
9 ~~dollars (\$50.00)~~ seventy-five dollars (\$75.00). A person whose drivers license has been
10 revoked under G.S. 20-17(a)(2) shall pay a restoration fee of ~~one hundred dollars (\$100.00)~~ one
11 hundred fifty dollars (\$150.00). The fee shall be paid to the Division prior to the issuance to
12 such person of a new drivers license or the restoration of the drivers license. The restoration fee
13 shall be paid to the Division in addition to any and all fees which may be provided by law. This
14 restoration fee shall not be required from any licensee whose license was revoked or voluntarily
15 surrendered for medical or health reasons whether or not a medical evaluation was conducted
16 pursuant to this Chapter. The ~~fifty-dollar (\$50.00) fee~~, seventy-five-dollar (\$75.00) fee, and the
17 ~~first fifty dollars (\$50.00)~~ one hundred dollars (\$100.00) of the ~~one hundred dollar~~
18 ~~(\$100.00)~~ one-hundred-fifty-dollar (\$150.00) fee, shall be deposited in the Highway Fund.
19 Twenty-five dollars (\$25.00) of the ~~one hundred dollar (\$100.00)~~ one-hundred-fifty-dollar
20 (\$150.00) fee shall be used to fund a statewide chemical alcohol testing program administered
21 by the Forensic Tests for Alcohol Branch of the Chronic Disease and Injury Section of the
22 Department of Health and Human Services. The remainder of the ~~one hundred dollar~~
23 ~~(\$100.00)~~ one-hundred-fifty-dollar (\$150.00) fee shall be deposited in the General Fund. The
24 Office of State Budget and Management shall annually report to the General Assembly the
25 amount of fees deposited in the General Fund and transferred to the Forensic Tests for Alcohol
26 Branch of the Chronic Disease and Injury Section of the Department of Health and Human
27 Services under this subsection.

28 Effective with the 2011-2012 fiscal year, from the funds deposited in the General Fund
29 under this subsection the sum of five hundred thirty-seven thousand four hundred fifty-five
30 dollars (\$537,455) shall be transferred annually to the Board of Governors of The University of
31 North Carolina to be used for the operating expenses of the Bowles Center for Alcohol Studies
32 at The University of North Carolina at Chapel Hill.

33 ...

34 (1) Learner's Permit. – A person who is at least 18 years old may obtain a learner's
35 permit. A learner's permit authorizes the permit holder to drive a specified type or class of
36 motor vehicle while in possession of the permit. A learner's permit is valid for a period of 18
37 months after it is issued. The fee for a learner's permit is ~~fifteen dollars (\$15.00)~~ twenty-two
38 dollars and fifty cents (\$22.50). A learner's permit may be renewed, or a second learner's permit
39 may be issued, for an additional period of 18 months. The permit holder must, while operating
40 a motor vehicle over the highways, be accompanied by a person who is licensed to operate the
41 motor vehicle being driven and is seated beside the permit holder.

42"

43 **SECTION 29.30.(b)** G.S. 20-11(j) reads as rewritten:

44 "(j) Duration and Fee. — A limited learner's permit expires on the eighteenth birthday of
45 the permit holder. A limited provisional license expires on the eighteenth birthday of the
46 license holder. A limited learner's permit or limited provisional license issued under this section
47 that expires on a weekend or State holiday shall remain valid through the fifth regular State
48 business day following the date of expiration. A full provisional license expires on the date set
49 under G.S. 20-7(f). The fee for a limited learner's permit or a limited provisional license is
50 ~~fifteen dollars (\$15.00)~~ twenty-two dollars and fifty cents (\$22.50). The fee for a full
51 provisional license is the amount set under G.S. 20-7(i)."

SECTION 29.30.(c) G.S. 20-14 reads as rewritten:

"§ 20-14. Duplicate licenses.

A person may obtain a duplicate of a license issued by the Division by paying a fee of ~~ten dollars (\$10.00)~~ fifteen dollars (\$15.00) and giving the Division satisfactory proof that any of the following has occurred:

- (1) The person's license has been lost or destroyed.
- (2) It is necessary to change the name or address on the license.
- (3) Because of age, the person is entitled to a license with a different color photographic background or a different color border.
- (4) The Division revoked the person's license, the revocation period has expired, and the period for which the license was issued has not expired."

SECTION 29.30.(d) G.S. 20-16(e) reads as rewritten:

"(e) The Division may conduct driver improvement clinics for the benefit of those who have been convicted of one or more violations of this Chapter. Each driver attending a driver improvement clinic shall pay a fee of ~~fifty dollars (\$50.00)~~ seventy-five dollars (\$75.00)."

SECTION 29.30.(e) G.S. 20-26(c) reads as rewritten:

"(c) The Division shall furnish copies of license records required to be kept by subsection (a) of this section in accordance with G.S. 20-43.1 to other persons for uses other than official upon prepayment of the following fees:

- (1) Limited extract copy of license record,
for period up to three years ~~\$8.00~~ \$12.00
- (2) Complete extract copy of license record ~~8.00~~ 12.00
- (3) Certified true copy of complete license record ~~11.00~~ 16.50.

All fees received by the Division under this subsection shall be credited to the Highway Fund."

SECTION 29.30.(f) G.S. 20-37.15(a1) reads as rewritten:

"(a1) The application must be accompanied by a nonrefundable application fee of ~~thirty dollars (\$30.00)~~ forty-five dollars (\$45.00). This fee does not apply in any of the following circumstances:

- (1) When an individual surrenders a commercial driver learner's permit issued by the Division when submitting the application.
- (2) When the application is to renew a commercial drivers license issued by the Division.

This fee shall entitle the applicant to three attempts to pass the written knowledge test without payment of a new fee. No application fee shall be charged to an applicant eligible for a waiver under G.S. 20-37.13(c)."

SECTION 29.30.(g) G.S. 20-37.16(d) reads as rewritten:

"(d) The fee for a Class A, B, or C commercial drivers license is ~~fifteen dollars (\$15.00)~~ twenty-two dollars and fifty cents (\$22.50) for each year of the period for which the license is issued. The fee for each endorsement is ~~three dollars (\$3.00)~~ four dollars and fifty cents (\$4.50) for each year of the period for which the endorsement is issued. The fees required under this section do not apply to employees of the Driver License Section of the Division who are designated by the Commissioner."

SECTION 29.30.(h) G.S. 20-42(b) reads as rewritten:

"(b) The Commissioner and officers of the Division designated by the Commissioner may prepare under the seal of the Division and deliver upon request a certified copy of any document of the Division for a fee. The fee for a document, other than an accident report under G.S. 20-166.1, is ~~ten dollars (\$10.00)~~ fifteen dollars (\$15.00). The fee for an accident report is five dollars (\$5.00). A certified copy shall be admissible in any proceeding in any court in like manner as the original thereof, without further certification. The certification fee does not apply to a document furnished for official use to a judicial official or to an official of the federal government, a state government, or a local government."

SECTION 29.30.(j) G.S. 20-73(c) reads as rewritten:

"(c) Penalties. – A person to whom a vehicle is transferred who fails to apply for a certificate of title within the required time is subject to a civil penalty of ~~fifteen dollars (\$15.00)~~ twenty-two dollars and fifty cents (\$22.50) and is guilty of a Class 2 misdemeanor. A person who undertakes to apply for a certificate of title on behalf of another person and who fails to apply for a title within the required time is subject to a civil penalty of ~~fifteen dollars (\$15.00)~~ twenty-two dollars and fifty cents (\$22.50). When a person to whom a vehicle is transferred fails to obtain a title within the required time because a person who undertook to apply for the certificate of title did not do so within the required time, the Division may impose a civil penalty only on the person who undertook to apply for the title. Civil penalties collected under this subsection shall be credited to the Highway Fund."

SECTION 29.30.(k) G.S. 20-85(a) reads as rewritten:

"(a) The following fees are imposed concerning a certificate of title, a registration card, or a registration plate for a motor vehicle. These fees are payable to the Division and are in addition to the tax imposed by Article 5A of Chapter 105 of the General Statutes.

- | | | |
|------|---|-----------------------------------|
| (1) | Each application for certificate of title..... | \$40.00 <u>\$60.00</u> |
| (2) | Each application for duplicate or corrected certificate of title..... | 15.00 <u>22.50</u> |
| (3) | Each application of reposessor for certificate of title..... | 15.00 <u>22.50</u> |
| (4) | Each transfer of registration..... | 15.00 <u>22.50</u> |
| (5) | Each set of replacement registration plates..... | 15.00 <u>22.50</u> |
| (6) | Each application for duplicate registration card..... | 15.00 <u>22.50</u> |
| (7) | Each application for recording supplementary lien..... | 15.00 <u>22.50</u> |
| (8) | Each application for removing a lien from a certificate of title | 15.00 <u>22.50</u> |
| (9) | Each application for certificate of title for a motor vehicle transferred to a manufacturer, as defined in G.S. 20-286, or a motor vehicle retailer for the purpose of resale | 15.00 <u>22.50</u> |
| (10) | Each application for a salvage certificate of title made by an insurer or by a used motor vehicle dealer pursuant to subdivision (b)(2) or subsection (e1) of G.S. 20-109.1 | 15.00 <u>22.50</u> |
| (11) | Each set of replacement Stock Car Racing Theme plates issued under G.S. 20-79.4 | <u>25.00.</u> |

SECTION 29.30.(l) G.S. 20-85.1(b) reads as rewritten:

"(b) The Commissioner and the employees of the Division designated by the Commissioner may prepare and deliver upon request a certificate of title, charging a fee of ~~seventy-five dollars (\$75.00)~~ one hundred twelve dollars and fifty cents (\$112.50) for one-day title service, in lieu of the title fee required by G.S. 20-85(a). The fee for one-day title service must be paid by cash or by certified check. This fee shall be credited to the Highway Trust Fund."

SECTION 29.30.(m) G.S. 20-87 reads as rewritten:**"§ 20-87. Passenger vehicle registration fees.**

These fees shall be paid to the Division annually for the registration and licensing of passenger vehicles, according to the following classifications and schedules:

- (1) For-Hire Passenger Vehicles. – The fee for a passenger vehicle that is operated for compensation and has a capacity of 15 passengers or less is ~~seventy-eight dollars (\$78.00)~~ one hundred seventeen dollars (\$117.00). The fee for a passenger vehicle that is operated for compensation and has a capacity of more than 15 passengers is ~~one dollar and forty cents (\$1.40)~~ two dollars and ten cents (\$2.10) per hundred pounds of empty weight of the vehicle.
- (2) U-Drive-It Vehicles. – U-drive-it vehicles shall pay the following tax:

1	Motorcycles:	1-passenger capacity.....	\$18.00 <u>\$27.00</u>
2		2-passenger capacity.....	22.00 <u>33.00</u>
3		3-passenger capacity.....	26.00 <u>39.00</u>
4	Automobiles:	15 or fewer passengers	\$51.00 <u>\$76.50</u>
5	Buses:	16 or more passengers	\$2.00 <u>\$3.00</u> per
6			hundred
7			pounds of
8			empty weight
9	Trucks under		
10	7,000 pounds		
11	that do not		
12	haul products		
13	for hire:	4,000 pounds.....	\$41.50 <u>\$62.25</u>
14		5,000 pounds.....	\$51.00 <u>\$76.50</u>
15		6,000 pounds.....	\$61.00 <u>\$91.50</u>

...
 (5) Private Passenger Vehicles. – There shall be paid to the Division annually, as of the first day of January, for the registration and licensing of private passenger vehicles, fees according to the following classifications and schedules:

Private passenger vehicles of not more than fifteen passengers ~~\$28.00~~\$42.00

Private passenger vehicles over fifteen passengers..... ~~31.00~~46.50

Provided, that a fee of only ~~one dollar (\$1.00)~~one dollar and fifty cents (\$1.50) shall be charged for any vehicle given by the federal government to any veteran on account of any disability suffered during war so long as such vehicle is owned by the original donee or other veteran entitled to receive such gift under Title 38, section 252, United States Code Annotated.

(6) Private Motorcycles. – The base fee on private passenger motorcycles shall be ~~fifteen dollars (\$15.00);~~twenty-two dollars and fifty cents (\$22.50); except that when a motorcycle is equipped with an additional form of device designed to transport persons or property, the base fee shall be ~~twenty-two dollars (\$22.00);~~thirty-three dollars (\$33.00). An additional fee of ~~three dollars (\$3.00)~~four dollars and fifty cents (\$4.50) is imposed on each private motorcycle registered under this subdivision in addition to the base fee. The revenue from the additional fee, in addition to any other funds appropriated for this purpose, shall be used to fund the Motorcycle Safety Instruction Program created in G.S. 115D-72.

...
 (9) House Trailers. – In lieu of other registration and license fees levied on house trailers under this section or G.S. 20-88, the registration and license fee on house trailers shall be ~~eleven dollars (\$11.00)~~sixteen dollars and fifty cents (\$16.50) for the license year or any portion thereof.

...
 (11) Any vehicle fee determined under this section according to the weight of the vehicle shall be increased by the sum of ~~three dollars (\$3.00)~~four dollars and fifty cents (\$4.50) to arrive at the total fee.

...
 (13) Additional fee for certain electric vehicles. – At the time of an initial registration or registration renewal, the owner of a plug-in electric vehicle that is not a low-speed vehicle and that does not rely on a nonelectric source of power shall pay a fee in the amount of ~~one hundred dollars (\$100.00)~~one

1 hundred fifty dollars (\$150.00) in addition to any other required registration
 2 fees."

3 **SECTION 29.30.(n)** Article 3 of Chapter 20 of the General Statutes is amended by
 4 adding a new section to read:

5 **"§ 20-88.03. Late fee; motor vehicle registration.**

6 (a) Late Fee. – In addition to the applicable fees required under this Article for the
 7 registration of a motor vehicle and any interest assessed under G.S. 105-330.4, the Division
 8 shall charge a late fee according to the following schedule to a person who pays the applicable
 9 registration fee required under this Article after the registration expires:

10 (1) If the registration has been expired for less than one month, a late fee of
 11 fifteen dollars (\$15.00).

12 (2) If the registration has been expired for one month or greater, but less than
 13 two months, a late fee of twenty dollars (\$20.00).

14 (3) If the registration has been expired for two months or greater, a late fee of
 15 twenty-five dollars (\$25.00).

16 (b) Proceeds. – The clear proceeds of any late fee charged under this section shall be
 17 remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

18 (c) Construction. – For purposes of this section, payment by mail of a registration fee
 19 required under this Article is considered to be made on the date shown on the postmark
 20 stamped by the United States Postal Service. If payment by mail is not postmarked or does not
 21 show the date of mailing, the payment is considered to be made on the date the Division
 22 receives the payment."

23 **SECTION 29.30.(o)** G.S. 105-330.10 reads as rewritten:

24 **"§ 105-330.10. Disposition of interest.**

25 The interest collected on unpaid registration fees pursuant to G.S. 105-330.4 shall be
 26 transferred on a monthly basis to the North Carolina Highway Fund ~~for technology~~
 27 ~~improvements within the Division of Motor Vehicles Fund."~~

28 **SECTION 29.30.(p)** G.S. 20-88 reads as rewritten:

29 **"§ 20-88. Property-hauling vehicles.**

30 ...
 31 (b) The following fees are imposed on the annual registration of self-propelled
 32 property-hauling vehicles; the fees are based on the type of vehicle and its weight:

33 SCHEDULE OF WEIGHTS AND RATES

34 Rates Per Hundred Pound Gross Weight

35		Farmer Rate
36	Not over 4,000 pounds	\$0.29 \$0.44
37	4,001 to 9,000 pounds inclusive	.400 .60
38	9,001 to 13,000 pounds inclusive	.500 .75
39	13,001 to 17,000 pounds inclusive	.68 1.02
40	Over 17,000 pounds	.77 1.16

41 Rates Per Hundred Pound Gross Weight

42		General Rate
43	Not over 4,000 pounds	\$0.59 \$0.89
44	4,001 to 9,000 pounds inclusive	.81 1.22
45	9,001 to 13,000 pounds inclusive	1.00 1.50
46	13,001 to 17,000 pounds inclusive	1.36 2.04
47	Over 17,000 pounds	1.54 2.31

48 (1) The minimum fee for a vehicle licensed under this subsection is ~~twenty-four~~
 49 ~~dollars (\$24.00)~~thirty-six dollars (\$36.00) at the farmer rate and ~~twenty-eight~~
 50 ~~dollars (\$28.00)~~forty-two dollars (\$42.00) at the general rate.

51 ...

(6) There shall be paid to the Division annually the following fees for "wreckers" as defined under G.S. 20-4.01(50): a wrecker fully equipped weighing 7,000 pounds or less, ~~seventy-five dollars (\$75.00); one hundred twelve dollars and fifty cents (\$112.50);~~ wreckers weighing in excess of 7,000 pounds shall pay ~~one hundred forty-eight dollars (\$148.00); two hundred twenty-two dollars (\$222.00).~~ Fees to be prorated monthly. Provided, further, that nothing herein shall prohibit a licensed dealer from using a dealer's license plate to tow a vehicle for a customer.

(c) The fee for a semitrailer or trailer is ~~nineteen dollars (\$19.00); twenty-eight dollars and fifty cents (\$28.50)~~ for each year or part of a year. The fee is payable each year. Upon the application of the owner of a semitrailer or trailer, the Division may issue a multiyear plate and registration card for the semitrailer or trailer for a fee of ~~seventy-five dollars (\$75.00); one hundred twelve dollars and fifty cents (\$112.50).~~ A multiyear plate and registration card for a semitrailer or trailer are valid until the owner transfers the semitrailer or trailer to another person or surrenders the plate and registration card to the Division. A multiyear plate may not be transferred to another vehicle.

The Division shall issue a multiyear semitrailer or trailer plate in a different color than an annual semitrailer or trailer plate and shall include the word "multiyear" on the plate. The Division may not issue a multiyear plate for a house trailer.

(i) Any vehicle fee determined under this section according to the weight of the vehicle shall be increased by the sum of ~~three dollars (\$3.00); four dollars and fifty cents (\$4.50)~~ to arrive at the total fee.

...."

SECTION 29.30.(q) G.S. 20-289(a) reads as rewritten:

"(a) The license fee for each fiscal year, or part thereof, shall be as follows:

- (1) For motor vehicle dealers, distributors, distributor branches, and wholesalers, ~~seventy dollars (\$70.00); one hundred five dollars (\$105.00)~~ for each place of business.
- (2) For manufacturers, ~~one hundred fifty dollars (\$150.00); two hundred twenty-five dollars (\$225.00)~~ and for each factory branch in this State, ~~one hundred dollars (\$100.00); one hundred fifty dollars (\$150.00).~~
- (3) For motor vehicle sales representatives, ~~fifteen dollars (\$15.00); twenty-two dollars and fifty cents (\$22.50).~~
- (4) For factory representatives, or distributor representatives, ~~fifteen dollars (\$15.00); twenty-two dollars and fifty cents (\$22.50).~~
- (5) Repealed by Session Laws 1991, c. 662, s. 4."

SECTION 29.30.(r) G.S. 20-385(a) reads as rewritten:

"(a) The fees listed in this section apply to a motor carrier. These fees are in addition to any fees required under the Unified Carrier Registration Agreement.

(1) Repealed by Session Laws 2007-492, s. 5, effective August 30, 2007.

(2) Application by an intrastate motor carrier for a certificate of exemption 45.00 67.50

(3) Certification by an interstate motor carrier that it is not regulated by the United States Department of Transportation 45.00 67.50

(4) Application by an interstate motor carrier for an emergency trip permit 18.00 27.00."

SECTION 29.30.(s) G.S. 44A-4(b)(1) reads as rewritten:

"(b) Notice and Hearings. -

(1) If the property upon which the lien is claimed is a motor vehicle that is required to be registered, the lienor following the expiration of the relevant time period provided by subsection (a) shall give notice to the Division of Motor Vehicles that a lien is asserted and sale is proposed and shall remit to the Division a fee of ~~ten dollars (\$10.00)~~ fifteen dollars (\$15.00). The Division of Motor Vehicles shall issue notice by certified mail, return receipt requested, to the person having legal title to the property, if reasonably ascertainable, to the person with whom the lienor dealt if different, and to each secured party and other person claiming an interest in the property who is actually known to the Division or who can be reasonably ascertained. The notice shall state that a lien has been asserted against specific property and shall identify the lienor, the date that the lien arose, the general nature of the services performed and materials used or sold for which the lien is asserted, the amount of the lien, and that the lienor intends to sell the property in satisfaction of the lien. The notice shall inform the recipient that the recipient has the right to a judicial hearing at which time a determination will be made as to the validity of the lien prior to a sale taking place. The notice shall further state that the recipient has a period of 10 days from the date of receipt in which to notify the Division by certified mail, return receipt requested, that a hearing is desired and that if the recipient wishes to contest the sale of his property pursuant to such lien, the recipient should notify the Division that a hearing is desired. The notice shall state the required information in simplified terms and shall contain a form whereby the recipient may notify the Division that a hearing is desired by the return of such form to the Division. The Division shall notify the lienor whether such notice is timely received by the Division. In lieu of the notice by the lienor to the Division and the notices issued by the Division described above, the lienor may issue notice on a form approved by the Division pursuant to the notice requirements above. If notice is issued by the lienor, the recipient shall return the form requesting a hearing to the lienor, and not the Division, within 10 days from the date the recipient receives the notice if a judicial hearing is requested. If the certified mail notice has been returned as undeliverable and the notice of a right to a judicial hearing has been given to the owner of the motor vehicle in accordance with G.S. 20-28.4, no further notice is required. Failure of the recipient to notify the Division or lienor, as specified in the notice, within 10 days of the receipt of such notice that a hearing is desired shall be deemed a waiver of the right to a hearing prior to the sale of the property against which the lien is asserted, and the lienor may proceed to enforce the lien by public or private sale as provided in this section and the Division shall transfer title to the property pursuant to such sale. If the Division or lienor, as specified in the notice, is notified within the 10-day period provided above that a hearing is desired prior to sale, the lien may be enforced by sale as provided in this section and the Division will transfer title only pursuant to the order of a court of competent jurisdiction.

If the certified mail notice has been returned as undeliverable, or if the name of the person having legal title to the vehicle cannot reasonably be ascertained and the fair market value of the vehicle is less than eight hundred dollars (\$800.00), the lienor may institute a special proceeding in the county where the vehicle is being held, for authorization to sell that vehicle. Market

value shall be determined by the schedule of values adopted by the Commissioner under G.S. 105-187.3.

In such a proceeding a lienor may include more than one vehicle, but the proceeds of the sale of each shall be subject only to valid claims against that vehicle, and any excess proceeds of the sale shall be paid immediately to the Treasurer for disposition pursuant to Chapter 116B of the General Statutes.

The application to the clerk in such a special proceeding shall contain the notice of sale information set out in subsection (f) hereof. If the application is in proper form the clerk shall enter an order authorizing the sale on a date not less than 14 days therefrom, and the lienor shall cause the application and order to be sent immediately by first-class mail pursuant to G.S. 1A-1, Rule 5, to each person to whom notice was mailed pursuant to this subsection. Following the authorized sale the lienor shall file with the clerk a report in the form of an affidavit, stating that the lienor has complied with the public or private sale provisions of G.S. 44A-4, the name, address, and bid of the high bidder or person buying at a private sale, and a statement of the disposition of the sale proceeds. The clerk then shall enter an order directing the Division to transfer title accordingly.

If prior to the sale the owner or legal possessor contests the sale or lien in a writing filed with the clerk, the proceeding shall be handled in accordance with G.S. 1-301.2."

SECTION 29.30.(t) For the 2015-2016 fiscal year, twenty percent (20%) of the revenues generated from the fees set forth in subdivisions (1) through (9) of subsection (a) of G.S. 20-85, after the adjustments enacted in this section, shall be transferred from the Highway Trust Fund to the Highway Fund.

SECTION 29.30.(u) For the 2016-2017 fiscal year, thirty-five percent (35%) of the revenues generated from the fees set forth in subdivisions (1) through (9) of subsection (a) of G.S. 20-85, after the adjustments enacted in this section, shall be transferred from the Highway Trust Fund to the Highway Fund.

SECTION 29.30.(v) Subsections (t), (u), and (v) of this section are effective when this act becomes law. Subsection (n) of this section becomes effective July 1, 2016, and applies to renewal motor vehicle registrations on or after that date. The remainder of this section becomes effective January 1, 2016, and applies to issuances, renewals, restorations, and requests on or after that date.

ENFORCING PENALTIES FOR LAPSE IN FINANCIAL RESPONSIBILITY

SECTION 29.31.(a) G.S. 20-311 reads as rewritten:

"§ 20-311. Action by the Division when notified of a lapse in financial responsibility.

(a) Action. – When the Division receives evidence, by a notice of termination of a motor vehicle liability policy or otherwise, that the owner of a motor vehicle registered or required to be registered in this State does not have financial responsibility for the operation of the vehicle, the Division shall send the owner a letter. The letter shall notify the owner of the evidence and inform the owner that the owner shall respond to the letter within 10 days of the date on the letter and explain how the owner has met the duty to have continuous financial responsibility for the vehicle. Based on the owner's response, the Division shall take the appropriate action listed:

(1) Division correction. – If the owner responds within the required time and the response establishes that the owner has not had a lapse in financial responsibility, the Division shall correct its records.

- (2) Penalty only. – If the owner responds within the required time and the response establishes all of the following, the Division shall assess the owner a penalty in the amount set in subsection (b) of this section:
- a. The owner had a lapse in financial responsibility, but the owner now has financial responsibility.
 - b. The vehicle was not involved in an accident during the lapse in financial responsibility.
 - c. The owner did not operate the vehicle or allow the vehicle to be operated during the lapse with knowledge that the owner had no financial responsibility for the vehicle.
- (3) Penalty and revocation. – If the owner responds within the required time and the response establishes ~~any~~either of the following, the Division shall assess the owner a penalty in the amount set in subsection (b) of this section and revoke the registration of the owner's vehicle for the period set in subsection (c) of this section:
- a. The owner had a lapse in financial responsibility and still does not have financial responsibility.
 - b. The owner now has financial responsibility even though the owner had a lapse, but the response also establishes any of the following:
 1. The vehicle was involved in an accident during the lapse, the lapse.
 2. The owner operated the vehicle during the lapse with knowledge that the owner had no financial responsibility for the vehicle, or both vehicle.
 3. The owner allowed the vehicle to be operated during the lapse with knowledge that the owner had no financial responsibility for the vehicle.
- (4) ~~Revocation pending response.~~ Penalty and revocation for failure to respond. – ~~Except as otherwise provided in this subdivision, if the owner does not respond within the required time, the Division shall assess a penalty in the applicable amount set forth in subsection (b) of this section and shall revoke the registration of the owner's vehicle for the period set in subsection (c) of this section. When the owner responds, the Division shall take the appropriate action listed in subdivisions (1) through (3) of this subsection as if the response had been timely.~~ If the owner does not respond within the required time, but later responds and establishes that the owner has not had a lapse in financial responsibility, the Division shall correct its records, rescind any revocation under this subdivision of the registration of the owner's vehicle, and the owner shall not be responsible for any fee or penalty arising under this section from the owner's failure to timely respond.
- (b) Penalty Amount. – The following table determines the amount of a penalty payable under this section by an owner who has had a lapse in financial responsibility; the amount is based on the number of times the owner has been assessed a penalty under this section during the three-year period before the date the owner's current lapse began:
- | Number of Lapses in Previous Three Years | Penalty Amount |
|--|----------------|
| None | \$50.00 |
| One | \$100.00 |
| Two or More | \$150.00 |
- (c) Revocation Period. – The revocation period for a revocation based on a response that establishes that a vehicle owner does not have financial responsibility is indefinite and ends when the owner obtains financial responsibility or transfers the vehicle to an owner who has

1 financial responsibility. The revocation period for a revocation based on a response that
2 establishes the occurrence of an accident during a lapse in financial responsibility or the
3 knowing operation of a vehicle without financial responsibility is 30 days. The revocation
4 period for a revocation based on failure of a vehicle owner to respond is indefinite and ends
5 ~~when the owner responds~~ the later of 30 days or when the owner obtains financial
6 responsibility or transfers the vehicle to an owner who has financial responsibility.

7 (d) Revocation Notice. – When the Division revokes the registration of an owner's
8 vehicle, it shall notify the owner of the revocation. The notice shall inform the owner of the
9 following:

- 10 (1) That the owner shall return the vehicle's registration plate and registration
11 card to the Division, if the owner has not done so already, and that failure to
12 do so is a Class 2 misdemeanor under G.S. 20-45.
- 13 (2) That the vehicle's registration plate and registration card are subject to
14 seizure by a law enforcement officer.
- 15 (3) That the registration of the vehicle cannot be renewed while the registration
16 is revoked.
- 17 (4) That the owner shall pay any penalties ~~assessed~~, assessed within 30 days of
18 the date of the notice, a restoration fee, and the fee for a registration plate
19 when the owner applies to the Division to register a vehicle whose
20 registration was revoked.
- 21 (5) That failure of an owner to pay any penalty or fee assessed pursuant to this
22 section shall result in the Division withholding the registration renewal of
23 any motor vehicle registered in that owner's name.

24 (e) Registration After Revocation. – A vehicle whose registration has been revoked
25 may not be registered during the revocation period in the name of the owner, a child of the
26 owner, the owner's spouse, or a child of the owner's spouse. This restriction does not apply to a
27 spouse who is living separate and apart from the owner. At the end of a revocation period, a
28 vehicle owner who has financial responsibility may apply to register a vehicle whose
29 registration was revoked. The owner shall provide proof of current financial responsibility and
30 pay any penalty assessed, a restoration fee of fifty dollars (\$50.00), and the fee for a
31 registration plate. Pursuant to G.S. 20-54, failure of an owner to pay any penalty or fee assessed
32 pursuant to this section shall result in the Division withholding the registration renewal of any
33 motor vehicle registered in that owner's name.

34"

35 **SECTION 29.31.(b)** G.S. 20-54 is amended by adding a new subdivision to read:

36 "(12) The owner of the vehicle has failed to pay any penalty or fee imposed
37 pursuant to G.S. 20-311."

38 **SECTION 29.31.(c)** This section becomes effective December 1, 2015, and applies
39 to lapses in financial responsibility occurring on or after that date.

40 LPA CONTRACT STANDARDS

41 **SECTION 29.32.(a)** G.S. 20-63(h) reads as rewritten:

42 (h) Commission Contracts for Issuance of Plates and Certificates. – All registration
43 plates, registration certificates, and certificates of title issued by the Division, outside of those
44 issued from the office of the Division located in Wake, Cumberland, or Mecklenburg Counties
45 and those issued and handled through the United States mail, shall be issued insofar as
46 practicable and possible through commission contracts entered into by the Division for the
47 issuance of the plates and certificates in localities throughout North Carolina, including military
48 installations within this State, with persons, firms, corporations or governmental subdivisions
49 of the State of North Carolina. The Division shall make a reasonable effort in every locality,
50 except as noted above, to enter into a commission contract for the issuance of the plates and
51

certificates and a record of these efforts shall be maintained in the Division. In the event the Division is unsuccessful in making commission contracts, it shall issue the plates and certificates through the regular employees of the Division. Whenever registration plates, registration certificates, and certificates of title are issued by the Division through commission contract arrangements, the Division shall provide proper supervision of the distribution. Nothing contained in this subsection allows or permits the operation of fewer outlets in any county in this State than are now being operated.

Commission contracts entered into by the Division under this subsection shall provide for the payment of compensation on a per transaction basis. The collection of the highway use tax is considered a separate transaction for which ~~one dollar and twenty-seven cents (\$1.27)~~ one dollar and thirty cents (\$1.30) compensation shall be paid. The issuance of a limited registration "T" sticker and the collection of property tax are each considered a separate transaction for which compensation at the rate of one dollar and twenty-seven cents (\$1.27) and ~~one dollar and six cents (\$1.06)~~ one dollar and eight cents (\$1.08) respectively, shall be paid by counties and municipalities as a cost of the combined motor vehicle registration renewal and property tax collection system. The performance at the same time of one or more of the transactions below is considered a single transaction for which ~~one dollar and forty-three cents (\$1.43)~~ one dollar and forty-six cents (\$1.46) compensation shall be paid:

- (1) Issuance of a registration plate, a registration card, a registration sticker, or a certificate of title.
- (2) Issuance of a handicapped placard or handicapped identification card.
- (3) Acceptance of an application for a personalized registration plate.
- (4) Acceptance of a surrendered registration plate, registration card, or registration renewal sticker, or acceptance of an affidavit stating why a person cannot surrender a registration plate, registration card, or registration renewal sticker.
- (5) Cancellation of a title because the vehicle has been junked.
- (6) Acceptance of an application for, or issuance of, a refund for a fee or a tax, other than the highway use tax.
- (7) Receipt of the civil penalty imposed by G.S. 20-311 for a lapse in financial responsibility or receipt of the restoration fee imposed by that statute.
- (8) Acceptance of a notice of failure to maintain financial responsibility for a motor vehicle.
- (8a) Collection of civil penalties imposed for violations of G.S. 20-183.8A.
- (8b), (9) Repealed by Session Laws 2013-372, s. 2(a), effective July 1, 2013.
- (10) Acceptance of a temporary lien filing.
- (11) Conversion of an existing paper title to an electronic lien upon request of a primary lienholder."

SECTION 29.32.(b) G.S. 20-63 is amended by adding a new subsection to read:

"(h3) Contract license plate agencies are subject to the Standard Operating Procedures established by the Division. In addition, the Division shall, by rule, establish standards for commission contracts entered into by the Division under subsection (h) of this section. The standards shall include all of the following:

- (1) Performance standards for commission contract agents, including a schedule of monetary performance bonuses that may be paid annually by the Division to commission contract agents that meet or exceed the performance standards established pursuant to this subdivision. The total aggregate amount of monetary performance bonuses paid to all commission contract agents by the Division pursuant to this subdivision may not exceed ninety thousand dollars (\$90,000) per year.

(2) A term of duration. For initial commission contracts, the durational term may not exceed eight years. For renewal commission contracts, the durational term may not exceed two years."

SECTION 29.32.(c) No later than October 1, 2015, the Division of Motor Vehicles shall establish and adopt temporary rules to implement the provisions of subsection (b) of this section. No later than 30 days after adopting temporary rules under this subsection, the Division shall report to the Joint Legislative Transportation Oversight Committee on the establishment of the standards required by subsection (b) of this section.

SECTION 29.32.(d) All commission contracts entered into by the Division of Motor Vehicles under G.S. 20-63(h) after the effective date of this subsection shall be subject to the standards established under subsection (b) of this section. No later than July 1, 2018, all other commission contracts entered into by the Division of Motor Vehicles shall be subject to the standards established under subsection (b) of this section.

SECTION 29.32.(e) Subsections (c) and (e) of this section are effective when they become law. Subsection (a) of this section becomes effective July 1, 2015, and applies to transactions on or after that date. The remainder of this section is effective upon adoption of rules pursuant to subsection (c) of this section.

DMV/UMSTEAD ACT CLARIFICATION

SECTION 29.33. G.S. 66-58(c) is amended by adding a new subdivision to read:

"(c) The provisions of subsection (a) shall not prohibit:

...

(22) The operation by the Division of Motor Vehicles of digital advertising and automated teller machines in offices of the Division or contract license plate agencies."

HIGHWAY USE TAX CLARIFICATION

SECTION 29.34.(a) G.S. 105-187.6(c) reads as rewritten:

"(c) Out-of-state Vehicles. – A maximum tax of one hundred fifty dollars (\$150.00) applies when a certificate of title is issued for a motor vehicle that, at the time of applying for a certificate of title, is and has been titled in the name of the owner of the motor vehicle in another state for at least 90 days prior to the date of application for a certificate of title in this State."

SECTION 29.34.(b) This section is effective when this act becomes law.

ELIMINATE 10-DAY TRIP PERMIT AND INCREASE TEMPORARY TAG FEE

SECTION 29.35.(a) G.S. 20-183.4C reads as rewritten:

"§ 20-183.4C. **When a vehicle must be inspected; 10-day ~~trip permit~~ temporary license plate.**

...

(b) ~~Permit. Temporary License Plate.~~ – The Division may issue a ~~10-day trip permit temporary license plate~~ under and in accordance with G.S. 20-50(b) that is valid for 10 days to a person that authorizes the person to drive a vehicle whose inspection authorization or registration has expired. ~~The permit may only be issued when the person has furnished proof of financial responsibility. The permit must describe the vehicle whose inspection authorization or registration has expired. The permit authorizes the person to drive the described vehicle for a period not to exceed 10 days from the date of issuance.~~

...."

SECTION 29.35.(b) G.S. 20-50(b) reads as rewritten:

"(b) The Division may issue a temporary license plate for a vehicle. A temporary license plate is valid for the period set by the Division. The period may not be less than 10 days nor more than 60 days.

A person may obtain a temporary license plate for a vehicle by filing an application with the Division and paying the required fee. An application must be filed on a form provided by the Division.

The fee for a temporary license plate that is valid for 10 days is ~~five~~ten dollars ~~(\$5.00)~~(\$10.00). The fee for a temporary license plate that is valid for more than 10 days is the amount that would be required with an application for a license plate for the vehicle. If a person obtains for a vehicle a temporary license plate that is valid for more than 10 days and files an application for a license plate for that vehicle before the temporary license plate expires, the person is not required to pay the fee that would otherwise be required for the license plate.

A temporary license plate is subject to the following limitations and conditions:

- (1) It may be issued only upon proper proof that the applicant has met the applicable financial responsibility requirements.
- (2) It expires on midnight of the day set for expiration.
- (3) It may be used only on the vehicle for which issued and may not be transferred, loaned, or assigned to another.
- (4) If it is lost or stolen, the person who applied for it must notify the Division.
- (5) It may not be issued by a dealer.
- (6) The provisions of G.S. 20-63, 20-71, 20-110 and 20-111 that apply to license plates apply to temporary license plates insofar as possible."

SECTION 29.35.(c) Ten-day trip permits issued under G.S. 20-183.4C(b) prior to the effective date of this section shall remain valid for the duration of the issuance.

SECTION 29.35.(d) This section becomes effective July 1, 2015, and applies to temporary license plates issued on or after that date.

TECHNICAL CORRECTION/REMOTE RENEWAL OF DRIVERS LICENSE

SECTION 29.36. G.S. 20-7(f)(6) reads as rewritten:

"(6) Remote renewal. – The Subject to the following requirements and limitations, the Division may offer remote renewal of a drivers license issued by the Division. ~~For purposes of this subdivision, "remote renewal" means renewal of a drivers license by mail, telephone, electronic device, or other secure means approved by the Commissioner.~~Division:

- a. Requirements. – To be eligible for remote renewal under this subdivision, a person must meet all of the following requirements:
 1. The license holder possesses a valid, unexpired Class C drivers license that was issued when the person was at least 18 years old.
 2. The license holder's current license includes no restrictions other than a restriction for corrective lenses.
 3. The license holder attests, in a manner designated by the Division, that (i) the license holder is a resident of the State and currently resides at the address on the license to be renewed, (ii) the license holder's name as it appears on the license to be renewed has not changed, and (iii) all other information required by the Division for an in-person renewal under this Article has been provided completely and truthfully.
 4. The most recent renewal was an in-person renewal and not a remote renewal under this subdivision.

5. The license holder is otherwise eligible for renewal under this subsection.
- b. Waiver of requirements. – When renewing a drivers license pursuant to this subdivision, the Division may waive the examination and photograph that would otherwise be required for the renewal.
- c. Duration of remote renewal. – A renewed drivers license issued to a person by remote renewal under this subdivision expires according to the following schedule:
 1. For a person at least 18 years old but less than 66 years old, on the birthday of the licensee in the eighth year after issuance.
 2. For a person at least 66 years old, on the birthday of the licensee in the fifth year after issuance.
- d. Rules. – The Division shall adopt rules to implement this subdivision.
- e. Federal law. – Nothing in this subdivision shall be construed to supersede any more restrictive provisions for renewal of drivers licenses prescribed by federal law or regulation.
- f. Definition. – For purposes of this subdivision, "remote renewal" means renewal of a drivers license by mail, telephone, electronic device, or other secure means approved by the Commissioner."

POSITIONS IN SUPPORT OF THE COMBINED MOTOR VEHICLE REGISTRATION AND PROPERTY TAX COLLECTION SYSTEM

SECTION 29.37. Section 24.10(a) of S.L. 2012-142 reads as rewritten:

"**SECTION 24.10.(a)** Upon request from the Department of Transportation and notwithstanding any other provision of law to the contrary, the Office of State Budget and Management may authorize the creation of time-limited, full-time equivalent positions within the Department of Transportation and its Division of Motor Vehicles in excess of the positions authorized by this act for the sole purposes of implementing and administering the combined motor vehicle registration and property tax collection system, in accordance with the funding authorizations in G.S. 105-330.5 and G.S. 105-330.10. Positions created under this authorization shall terminate no later than ~~June 30, 2014~~ April 1, 2016. Following the approval of a request, the Office of State Budget and Management shall direct the transfer of funds from the Combined Motor Vehicle and Registration Account, also known as the Division of Motor Vehicles Taxation Interest Fund for Integrated Computer System, to support personnel and related operating costs for the positions approved under this section."

DMV AND LPAS/TITLE AND LICENSE PERSONAL WATERCRAFT

SECTION 29.38.(a) G.S. 75A-5.2(a) reads as rewritten:

"(a) In order to facilitate the convenience of the public, the efficiency of administration, the need to keep statistics and records affecting the conservation of wildlife resources, boating, water safety, and other matters within the jurisdiction of the Commission, and to facilitate vessel transactions, the Commission may conduct vessel transactions through any of the following:

- (1) Vessel agents. For transactions involving a personal watercraft, as that term is defined in G.S. 75A-13.3, the term "vessel agents" includes (i) any office of the Division of Motor Vehicles and (ii) any commission contract agent utilized by the Division of Motor Vehicles pursuant to G.S. 20-63.
- (2) The Commission's headquarters.
- (3) Employees of the Commission.

(4) Two or more of those sources simultaneously."

SECTION 29.38.(b) Article 3 of Chapter 20 of the General Statutes is amended by adding a new section to read:

"§ 20-63.03. Certificate of number and titling of personal watercrafts.

In accordance with G.S. 75A-5.2(a), any office of the Division of Motor Vehicles and any commission contract agent utilized by the Division pursuant to G.S. 20-63 may conduct any vessel transaction listed in G.S. 75A-5.2(c) for a personal watercraft, as that term is defined in G.S. 75A-13.3, and may receive the surcharge set forth in G.S. 75A-5.2(c) for the applicable transaction the office of the Division or the commission contract agent conducts."

PART XXX. SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE

SECTION 30.1.(a) Effective July 1, 2015, G.S. 147-11(a) reads as rewritten:

"(a) The salary of the Governor shall be ~~one hundred forty-two thousand two hundred sixty-five dollars (\$142,265)~~ one hundred forty-five thousand one hundred ten dollars (\$145,110) annually, payable monthly."

SECTION 30.1.(b) Effective July 1, 2015, the annual salaries for members of the Council of State, payable monthly, shall be increased by two percent (2%), as follows:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	\$128,190
Attorney General	128,190
Secretary of State	128,190
State Treasurer	128,190
State Auditor	128,190
Superintendent of Public Instruction	128,190
Agriculture Commissioner	128,190
Insurance Commissioner	128,190
Labor Commissioner	128,190

CERTAIN EXECUTIVE BRANCH OFFICIALS

SECTION 30.2. The annual salaries, payable monthly, for the following executive branch officials for the 2015-2017 fiscal biennium are set as follows:

<u>Executive Branch Officials</u>	<u>Annual Salary</u>
Chairman, Alcoholic Beverage Control Commission	\$114,105
State Controller	159,282
Commissioner of Banks	128,190
Chair, Board of Review, Division of Employment Security	125,720
Members, Board of Review, Division of Employment Security	124,172
Chairman, Parole Commission	125,720
Members of the Parole Commission	116,165
Chairman, Utilities Commission	142,646
Members of the Utilities Commission	128,190
Executive Director, North Carolina Agricultural Finance Authority	111,093

JUDICIAL BRANCH SALARIES

SECTION 30.3.(a) The annual salaries, payable monthly, for specified judicial branch officials for the 2015-2017 fiscal biennium are set as follows:

<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
Chief Justice, Supreme Court	\$146,495

1	Associate Justice, Supreme Court	142,694
2	Chief Judge, Court of Appeals	140,436
3	Judge, Court of Appeals	136,791
4	Judge, Senior Regular Resident Superior Court	133,102
5	Judge, Superior Court	129,413
6	Chief Judge, District Court	117,607
7	Judge, District Court	113,918
8	District Attorney	124,172
9	Public Defender	124,172
10	Director of Indigent Defense Services	128,008

11 **SECTION 30.3.(b)** The annual salaries of permanent full-time employees of the
 12 Judicial Department whose salaries are not itemized in this act shall be increased by two
 13 percent (2%), effective July 1, 2015.

14 **SECTION 30.3.(c)** The district attorney or public defender of a judicial district,
 15 with the approval of the Administrative Officer of the Courts or the Commission on Indigent
 16 Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant
 17 public defenders, respectively, in that district such that the average salaries of assistant district
 18 attorneys or assistant public defenders in that district do not exceed seventy-four thousand two
 19 hundred fifty-three dollars (\$74,253), and the minimum salary of any assistant district attorney
 20 or assistant public defender is at least thirty-nine thousand four hundred one dollars (\$39,401),
 21 effective July 1, 2015.

22 **SECTION 30.3.(d)** G.S. 7A-101(a) reads as rewritten:

23 "(a) The clerk of superior court is a full-time employee of the State and shall receive an
 24 annual salary, payable in equal monthly installments, based on the population of the county as
 25 determined in subsection (a1) of this section, according to the following schedule:

26	Population	Annual Salary
27	Less than 100,000	\$84,390 <u>\$86,078</u>
28	100,000 to 149,999	94,578 <u>96,470</u>
29	150,000 to 249,999	104,766 <u>106,861</u>
30	250,000 and above	114,958 <u>117,257</u>

31 When a county changes from one population group to another, the salary of the clerk shall
 32 be changed, on July 1 of the fiscal year for which the change is reported, to the salary
 33 appropriate for the new population group, except that the salary of an incumbent clerk shall not
 34 be decreased by any change in population group during his continuance in office."

35 **SECTION 30.3.(e)** G.S. 7A-102(c1) reads as rewritten:

36 "(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy
 37 clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the
 38 following minimum and maximum rates:

39	Assistant Clerks and Head Bookkeeper	Annual Salary
40	Minimum	\$32,609 <u>\$33,261</u>
41	Maximum	56,424 <u>57,552</u>
42	Deputy Clerks	Annual Salary
43	Minimum	\$28,223 <u>\$28,787</u>
44	Maximum	44,107.44 <u>44,989."</u>

45 **SECTION 30.3.(f)** G.S. 7A-171.1(a)(1) reads as rewritten:

46 "(a) The Administrative Officer of the Courts, after consultation with the chief district
 47 judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

48 (1) A full-time magistrate shall be paid the annual salary indicated in the table
 49 set out in this subdivision. A full-time magistrate is a magistrate who is
 50 assigned to work an average of not less than 40 hours a week during the term
 51 of office. The Administrative Officer of the Courts shall designate whether a

magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	\$35,275\$35,981
Step 1	37,95038,709
Step 2	40,83541,652
Step 3	43,89044,768
Step 4	47,55048,501
Step 5	51,96052,999
Step 6	56,90058,038."

SECTION 30.3.(g) G.S. 7A-171.1(a1)(1) reads as rewritten:

"(a1) Notwithstanding subsection (a) of this section, the following salary provisions apply to individuals who were serving as magistrates on June 30, 1994:

- (1) The minimum and maximum salaries of magistrates who on June 30, 1994, were paid at a salary level of less than five years of service under the table in effect that date shall be as follows:

	Minimum	Maximum
Less than 1 year of service		\$27,846
1 or more but less than 3 years of service	28,027	29,027
3 or more but less than 5 years of service	30,405	31,405
<u>Less than 1 year of service</u>	=	\$28,403
<u>1 or more but less than 3 years of service</u>	28,588	29,608
<u>3 or more but less than 5 years of service</u>	31,013	32,033

Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a)."

SECTION 30.3.(h) G.S. 7A-341 reads as rewritten:

"§ 7A-341. Appointment and compensation of Director and Assistant Director.

The Director shall be appointed by the Chief Justice of the Supreme Court, to serve at his or her pleasure. ~~He shall receive the annual salary provided in the Current Operations Appropriations Act, payable monthly, and reimbursement for travel and subsistence expenses at the same rate as State employees generally and The Director's compensation shall be set by the Chief Justice. The Director shall receive longevity pay at the rates and for the service designated in G.S. 7A-44(b) for a judge of the superior court. Service as Director shall be equivalent to service as a superior court judge for the purposes of entitlement to retirement pay or to retirement for disability."~~

SECTION 30.3.(i) G.S. 7A-342 reads as rewritten:

"§ 7A-342. Appointment and compensation of assistant director and other employees.

The assistant director shall also be appointed by the Chief Justice, to serve at his or her pleasure. ~~The assistant director shall receive the annual salary provided in the Current Operations Appropriations Act, payable monthly, and reimbursement for travel and subsistence expenses at the same rate as State employees generally and director's compensation shall be set by the Chief Justice. The assistant director shall receive longevity pay at the rates and for the service designated in G.S. 7A-144(b) for a judge of the district court.~~

The Director may appoint such other assistant and employees as are necessary to enable him the Director to perform the duties of his the office."

LEGISLATIVE BRANCH SALARIES

SECTION 30.4.(a) For the 2015-2017 fiscal biennium, the salaries of members and officers of the General Assembly shall remain unchanged at the amounts set under G.S. 120-3, as provided in 1994 by the 1993 General Assembly.

SECTION 30.4.(b) G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~four hundred four dollars (\$404.00)~~ four hundred twelve dollars (\$412.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

SECTION 30.4.(c) G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~one hundred six thousand three hundred thirty three dollars (\$106,333)~~, one hundred eight thousand four hundred sixty dollars (\$108,460), payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SECTION 30.4.(d) The annual salaries of the Legislative Services Officer and of nonelected employees of the General Assembly in effect on June 30, 2015, shall be increased by two percent (2%).

COMMUNITY COLLEGES PERSONNEL

SECTION 30.5.(a) Effective July 1, 2015, the minimum salaries for nine-month, full-time curriculum community college faculty shall be increased as follows:

<u>Education Level</u>	<u>Minimum Salary</u>
Vocational Diploma/Certificate or Less	\$36,020
Associate Degree or Equivalent	36,535
Bachelor's Degree	38,769
Master's Degree or Education Specialist	40,751
Doctoral Degree	43,608

No full-time faculty member shall earn less than the minimum salary for the faculty member's education level. The pro rata hourly rate of the minimum salary for each education level shall be used to determine the minimum salary for part-time faculty members.

SECTION 30.5.(b) For the 2015-2017 fiscal biennium, the State Board of Community Colleges may provide community college employees a salary increase. Funds for compensation increases may be used for any one or more of the following purposes: (i) merit pay, (ii) across-the-board increases, (iii) recruitment bonuses, (iv) retention increases, and (v) any other compensation increase pursuant to policies adopted by the State Board of Community Colleges. The State Board of Community Colleges shall make a report on the use of these funds to the 2016 Regular Session of the 2015 General Assembly no later than March 1, 2016.

UNIVERSITY OF NORTH CAROLINA SYSTEM

SECTION 30.6.(a) Effective for the 2015-2017 fiscal biennium:

- (1) The annual compensation of all full-time University of North Carolina SHRA employees shall be increased by two percent (2%).
- (2) The Board of Governors of The University of North Carolina shall have flexibility in allocating funds appropriated in this act for EHRA faculty and EHRA nonfaculty compensation increases (except for teachers at the North Carolina School of Science and Mathematics) pursuant to policies adopted by the Board.

SECTION 30.6.(b) For the 2015-2017 fiscal biennium, the Board of Governors of The University of North Carolina may provide UNC EHRA employees with salary increases pursuant to policies adopted by the Board of Governors, including, but not limited to, increases for any one or more of the following purposes: (i) merit pay, (ii) across-the-board increases, (iii) recruitment bonuses, and (iv) retention increases. The Board of Governors shall make a report on the use of compensation funds under this subsection to the 2016 Regular Session of the 2015 General Assembly no later than March 1, 2016.

SECTION 30.6.(c) For the 2015-2016 fiscal year, the Board of Trustees of the North Carolina School of Science and Mathematics shall award the step increases authorized by the Teacher Salary Schedule under Section 9.1 of this act.

STATE AGENCY TEACHERS

SECTION 30.7. Employees of schools operated by the Department of Health and Human Services, the Department of Public Safety, and the State Board of Education who are paid on the Teacher Salary Schedule shall receive the experience step increases authorized in Section 9.1 of this act.

ALL STATE-SUPPORTED PERSONNEL

SECTION 30.8.(a) Effective July 1, 2015, except as otherwise specifically provided by this act, the annual compensation of all employees subject to or exempt from the North Carolina Human Resources Act for the 2015-2017 fiscal biennium shall be increased by two percent (2%) from that authorized on June 30, 2015, or the last date in pay status during the 2014-2015 fiscal year, if earlier.

SECTION 30.8.(b) Salaries and Related Benefits for Positions That are Funded. -

- (1) Partially from the General Fund or Highway Fund and partially from sources other than the General Fund or Highway Fund shall be increased from the General Fund or Highway Fund appropriation only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund.
- (2) Fully from sources other than the General Fund or Highway Fund shall be increased as provided by this act. The Director of the Budget may increase expenditures of receipts from these sources by the amount necessary to provide the legislative increase to receipt-supported personnel in the certified budget.

SECTION 30.8.(c) The salary increases provided in this act become effective July 1, 2015, and do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement, or whose last workday is prior to July 1, 2015.

SECTION 30.8.(d) Payroll checks issued to employees after July 1, 2015, that represent payment of services provided prior to July 1, 2015, shall not be eligible for salary increases provided for in this act. This subsection applies to all employees paid from State funds, whether or not subject to or exempt from the North Carolina Human Resources Act, including employees of public schools, community colleges, and The University of North Carolina.

SECTION 30.8.(e) Nothing in this act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases.

SECTION 30.8.(f) Unless otherwise provided by this act, for the 2015-2016 fiscal year, permanent full-time State agency employees and State-funded public school employees who work a nine-, 10-, or 11-month work year schedule shall receive the two percent (2%) annual increase provided by this act.

MOST STATE EMPLOYEES

SECTION 30.9. Except as otherwise specifically set forth in this act, the salaries in effect for the following employees on June 30, 2015, shall be increased by two percent (2%):

- (1) Permanent full-time State officials and persons whose salaries are set in accordance with the North Carolina Human Resources Act.
- (2) Permanent full-time State officials and persons in positions exempt from the North Carolina Human Resources Act.
- (3) Permanent part-time State employees and temporary and permanent hourly State employees on a prorated and equitable basis subject to the availability of funds in the employing State agency, department, or institution and within regular State Budget Act procedures.

USE OF FUNDS APPROPRIATED FOR LEGISLATIVELY MANDATED SALARY INCREASES

SECTION 30.10.(a) The appropriations set forth in Section 2.1 of this act include appropriations for legislatively mandated salary increases in amounts set forth in the committee report described in Section 33.2 of this act. The Office of State Budget and Management shall ensure that those funds are used only for legislatively mandated salary increases.

SECTION 30.10.(b) If the Director of the Budget determines that funds appropriated to a State agency for legislatively mandated salary increases exceed the amount required by that agency for that purpose, the Director may reallocate those funds to other State agencies that received insufficient funds for legislatively mandated salary increases.

SECTION 30.10.(c) No later than January 1, 2016, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations on the expenditure of funds for legislatively mandated salary increases. This report shall include at least the following information for each State agency for the 2015-2016 fiscal year:

- (1) The total amount of funds that the agency received for legislatively mandated salary increases.
- (2) The total amount of funds transferred from the agency to other State agencies pursuant to subsection (b) of this section. This section of the report shall identify the amounts transferred to each recipient State agency.
- (3) The total amount of funds used by the agency for legislatively mandated salary increases.
- (4) The total amount of funds received by the agency for legislatively mandated salary increases that are anticipated to revert at the end of the fiscal year.

MONITOR SALARY INCREASES

SECTION 30.11.(a) The Office of State Budget and Management and the Office of State Human Resources shall submit a semiannual report to the Joint Legislative Commission on Governmental Operations on nonlegislative salary increases in (i) State agencies, departments, and institutions, including authorities, boards, and commissions; (ii) the judicial branch; and (iii) The University of North Carolina and its constituent institutions. The reports required by this section shall include the following information:

- (1) For agencies reporting through the BEACON HR/Payroll system, (i) a breakdown by action type (including, but not limited to, promotion, reallocation, career progression, salary adjustment, and any similar actions increasing employee pay) of the number and annual amount of those increases and (ii) a breakdown by action reason (including in-range higher level, acting pay, trainee adjustment, and other similar action reasons) of the number and annual amount of those action types coded as salary adjustment.
- (2) For The University of North Carolina and its constituent institutions, a breakdown of the number and annual amount of those increases categorized by the University as promotions, changes in job duties or responsibilities, Distinguished Professorships, retention pay, career progression, and any other similar actions increasing employee pay.
- (3) A summary of actions taken by the Office of State Budget and Management and the Office of State Personnel with respect to unauthorized salary increases.

SECTION 30.11.(b) The Legislative Services Officer shall report semiannually to the Joint Legislative Commission on Governmental Operation on nonlegislative salary increases.

COMPENSATION LIMITATIONS/LOTTERY COMMISSION

SECTION 30.12. For the 2015-2017 fiscal biennium, notwithstanding the provisions of G.S. 18C-114(a)(11) and G.S. 18C-120(b)(3), the Lottery Commission shall not expend funds for compensation bonuses or for merit-based or performance-based increases.

EXTEND REORGANIZATION THROUGH REDUCTION AUTHORIZATION

SECTION 30.13.(a) Section 8.3 of S.L. 2013-382, as amended by Section 55.3(g) of S.L. 2014-115, reads as rewritten:

"**SECTION 8.3.** This Part is effective when it becomes law and expires ~~June 30, 2015~~ June 30, 2017. The Office of State ~~Personnel~~ Human Resources and the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations ~~on January 31, 2014, April 30, 2014, September 1, 2014, January 31, 2015, April 30, 2015, and September 1, 2015~~ annually on the RTR program."

SECTION 30.13.(b) Payments under the Reorganization Through Reduction program shall be made from funds available within the reorganizing State agency.

SALARY DETERMINATIONS FOR CERTAIN LICENSED HEALTH PROFESSIONALS

SECTION 30.14. State agencies, departments, and institutions shall have salary administration flexibility for licensed physicians, dentists, nurses, physicians assistants, pharmacists, and other allied health professionals and may exercise the flexibility within existing resources. No salary determination made under this section may exceed the maximum of the applicable salary range established by the Office of State Human Resources under Chapter 126 of the General Statutes. Beginning September 1, 2015, and then annually thereafter, the Office of State Human Resources shall report to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division on the salary actions taken under this section.

STATE HIGHWAY PATROL SALARIES

SECTION 30.15.(a) Effective July 1, 2015, the salaries of all sworn members of the State Highway Patrol are increased by three percent (3%).

1 **SECTION 30.15.(b)** Effective July 1, 2015, the starting pay for an entry-level
2 position in the State Highway Patrol is increased by three percent (3%).

3 **SECTION 30.15.(c)** The increases granted by subsection (a) of this section are in
4 addition to any other salary increase that a member of the State Highway Patrol is eligible to
5 receive under this act or G.S. 20-187.3.

6
7 **ESTABLISH CODIFIER OF RULES POSITION**

8 **SECTION 30.16.(a)** G.S. 150B-2(1c) reads as rewritten:

9 "(1c) "Codifier of Rules" means the person appointed by the Chief Administrative
10 Law Judge of the Office of Administrative Hearings or a designated
11 representative of the Chief Administrative Law Judge pursuant to
12 G.S. 7A-760(b)."

13 **SECTION 30.16.(b)** G.S. 7A-760 reads as rewritten:

14 **"§ 7A-760. Number and status of employees; staff assignments; role of State Personnel**
15 **Commission.State Human Resources Commission.**

16 (a) The number of administrative law judges and employees of the Office of
17 Administrative Hearings shall be established by the General Assembly. The Chief
18 Administrative Law Judge is exempt from provisions of the North Carolina Human Resources
19 Act as provided by ~~G.S. 126-5(c1)(26).~~ G.S. 126-5(c1)(27). All other employees of the Office
20 of Administrative Hearings are subject to the North Carolina Human Resources Act.

21 (b) ~~The Chief Administrative Law Judge shall designate, from among the employees of~~
22 ~~the Office of Administrative Hearings, the Director and staff of the Rules Review~~
23 ~~Commission appoint a Codifier of Rules to serve in the Office of Administrative Hearings. No~~
24 ~~person shall be appointed or designated the Codifier of Rules except as provided in this section.~~
25 The salary of the Codifier of Rules shall be ninety percent (90%) of the salary of the Chief
26 Administrative Law Judge. In lieu of merit and other increment raises, the Codifier of Rules
27 shall receive longevity pay on the same basis as is provided to employees who are subject to
28 the North Carolina Human Resources Act."

29
30 **STUDY COMPENSATION OF EMERGENCY MANAGEMENT PERSONNEL**

31 **SECTION 30.17.(a)** The Office of State Human Resources shall study the salary
32 classifications of State emergency management personnel within the Department of Public
33 Safety and make recommendations for market-based salary adjustments based on market-rate
34 compensation and turnover, recruitment, and retention issues experienced by the Department
35 for these personnel. By February 1, 2016, the Office of State Human Resources shall report its
36 findings to the Joint Legislative Commission on Governmental Operations and the Fiscal
37 Research Division.

38 **SECTION 30.17.(b)** If the Office of State Human Resources finds pursuant to
39 subsection (a) of this section that market-based salary increases are warranted, notwithstanding
40 the provisions of Section 30.10 of this act, the salaries of emergency management personnel
41 within the Department of Public Safety may be increased to competitive market rates using
42 funds remaining in the Compensation Increase Reserves appropriated within this act.

43
44 **WORKERS' COMPENSATION STUDY**

45 **SECTION 30.18.(a)** The Joint Legislative Workers' Compensation Study
46 Committee (Committee) is established. The Committee shall be composed of 15 voting and six
47 nonvoting ex officio members as follows:

48 (1) Five voting members appointed by the Speaker of the House of
49 Representatives as follows:

- 1 a. Four persons who are members of the House of Representatives at
- 2 the time of appointment, at least one of whom represents the minority
- 3 party. The Speaker shall designate one of these members as cochair.
- 4 b. One person representing the general public who is a current State
- 5 employee.
- 6 (2) Five voting members appointed by the President Pro Tempore of the Senate
- 7 as follows:
- 8 a. Four persons who are members of the Senate at the time of
- 9 appointment, at least one of whom represents the minority party. The
- 10 President Pro Tempore shall designate one of these members as
- 11 cochair.
- 12 b. One person representing the general public who is a retired State
- 13 employee.
- 14 (3) Five voting members appointed by the Governor as follows:
- 15 a. One person with knowledge of workers' compensation claims
- 16 administration in the private sector.
- 17 b. One person with knowledge of workers' compensation claims
- 18 administration in the public sector.
- 19 c. One health care professional with experience in the evaluation of
- 20 workers' compensation claims.
- 21 d. One attorney experienced in the handling of workers' compensation
- 22 claims who represents employers.
- 23 e. One attorney experienced in the handling of workers' compensation
- 24 claims who represents employees.
- 25 (4) Six ex officio nonvoting members, or their respective designees who have
- 26 knowledge of workers' compensation claims administration, as follows:
- 27 a. State Superintendent of Public Instruction.
- 28 b. Secretary of Transportation.
- 29 c. Secretary of Health and Human Services.
- 30 d. Secretary of Public Safety.
- 31 e. Chair of the Industrial Commission.
- 32 f. Director of the Office of State Human Resources.

33 All appointments shall be made by September 1, 2015, and the first meeting shall be held by
34 October 1, 2015. The Committee shall meet upon the call of the cochairs. A quorum of the
35 Committee shall be a majority of the members. Any vacancies shall be filled by the appointing
36 authority.

37 **SECTION 30.18.(b)** The Committee shall make recommendations regarding the
38 following:

- 39 (1) Best practices and standard operating procedures for handling workers'
- 40 compensation claims in the most cost-effective and efficient manner.
- 41 (2) Measures that the State and local school administrative units can take to
- 42 contain workers' compensation costs.
- 43 (3) Policies the State and local school administrative units can implement to
- 44 increase workplace safety and awareness.
- 45 (4) Changes to "return-to-work" policies that will facilitate the return of injured
- 46 employees to the workplace.
- 47 (5) Any other matter pertaining to improving the handling of employee workers'
- 48 compensation claims.

49 **SECTION 30.18.(c)** Members of the Committee shall receive subsistence and
50 travel allowances at the rates set forth in G.S. 120-3.1, 138-5, or 138-6, as appropriate. The
51 Legislative Services Officer shall assign professional and clerical staff to assist in the work of

the Committee. The Committee may hold its meetings in the State Legislative Building or the Legislative Office Building. The Committee, while in the discharge of its official duties, may exercise all the powers provided under the provisions of G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4, including the power to request all officers, agents, agencies, and departments of the State to provide any information, data, or documents within their possession, ascertainable from their records or otherwise available to them, and the power to subpoena witnesses.

SECTION 30.18.(d) The Committee shall report its findings and recommendations to the 2016 Regular Session of the 2015 General Assembly. The Committee shall terminate on May 15, 2016, or upon the filing of its report, whichever occurs first.

JUDGES' LONGEVITY AMENDMENTS

SECTION 30.19.(a) G.S. 7A-10(c) reads as rewritten:

"(c) In lieu of merit and other increment raises paid to regular State employees, the Chief Justice and each of the Associate Justices shall receive as longevity pay an annual amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, nineteen and two-tenths percent (19.2%) after 20 years of service, ~~and twenty-four percent (24%) after 25 years of service.~~ service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General Court of ~~Justice or Justice,~~ as a member of the Utilities ~~Commission.~~ Commission, or as an administrative law judge. Service shall also mean service as a district attorney or as a clerk of superior court."

SECTION 30.19.(b) G.S. 7A-18(b) reads as rewritten:

"(b) In lieu of merit and other increment raises paid to regular State employees, a judge of the Court of Appeals shall receive as longevity pay an annual amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, nineteen and two-tenths percent (19.2%) after 20 years of service, ~~and twenty-four percent (24%) after 25 years of service.~~ service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General Court of ~~Justice or Justice,~~ as a member of the Utilities ~~Commission.~~ Commission, or as an administrative law judge. Service shall also mean service as a district attorney or as a clerk of superior court."

SECTION 30.19.(c) G.S. 7A-44(b) reads as rewritten:

"(b) In lieu of merit and other increment raises paid to regular State employees, a judge of the superior court, regular or special, shall receive as longevity pay an annual amount equal to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations Appropriations Act payable monthly after five years of service, nine and six-tenths percent (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of service, nineteen and two-tenths percent (19.2%) after 20 years of service, ~~and twenty-four percent (24%) after 25 years of service.~~ service, and twenty-eight and eight-tenths percent (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General Court of ~~Justice or Justice,~~ as a member of the Utilities ~~Commission or Commission,~~ as director or assistant director of the Administrative Office of the ~~Courts.~~ Courts, or as an administrative law judge. Service shall also mean service as a district attorney or as a clerk of superior court."

SECTION 30.19.(d) G.S. 7A-144(b) reads as rewritten:

"(b) Notwithstanding merit, longevity and other increment raises paid to regular State employees, a judge of the district court shall receive as longevity pay an annual amount equal

1 to four and eight-tenths percent (4.8%) of the annual salary set forth in the Current Operations
2 Appropriations Act payable monthly after five years of service, nine and six-tenths percent
3 (9.6%) after 10 years of service, fourteen and four-tenths percent (14.4%) after 15 years of
4 service, nineteen and two-tenths percent (19.2%) after 20 years of service, ~~and twenty-four~~
5 percent (24%) after 25 years of ~~service.~~ service, and twenty-eight and eight-tenths percent
6 (28.8%) after 30 years of service. "Service" means service as a justice or judge of the General
7 Court of ~~Justice or Justice,~~ as a member of the Utilities ~~Commission or Commission,~~ as director
8 or assistant director of the Administrative Office of the ~~Courts.~~ Courts, or as an administrative
9 law judge. Service shall also mean service as a district attorney or as a clerk of superior court."

10 11 **SALARY-RELATED CONTRIBUTIONS**

12 **SECTION 30.20.(a)** Effective for the 2015-2017 fiscal biennium, required
13 employer salary-related contributions for employees whose salaries are paid from department,
14 office, institution, or agency receipts shall be paid from the same source as the source of the
15 employee's salary. If an employee's salary is paid in part from the General Fund or Highway
16 Fund and in part from department, office, institution, or agency receipts, required employer
17 salary-related contributions may be paid from the General Fund or Highway Fund only to the
18 extent of the proportionate part paid from the General Fund or Highway Fund in support of the
19 salary of the employee, and the remainder of the employer's requirements shall be paid from the
20 source that supplies the remainder of the employee's salary. The requirements of this section as
21 to source of payment are also applicable to payments on behalf of the employee for hospital
22 medical benefits, longevity pay, unemployment compensation, accumulated leave, workers'
23 compensation, severance pay, separation allowances, and applicable disability income benefits.

24 **SECTION 30.20.(b)** Effective July 1, 2015, the State's employer contribution rates
25 budgeted for retirement and related benefits as a percentage of covered salaries for the
26 2015-2017 fiscal biennium are (i) fifteen and sixty-seven hundredths percent (15.67%) –
27 Teachers and State Employees; (ii) twenty and sixty-seven hundredths percent (20.67%) – State
28 Law Enforcement Officers; (iii) twelve and eighty-six hundredths percent (12.86%) –
29 University Employees' Optional Retirement Program; (iv) twelve and eighty-six hundredths
30 percent (12.86%) – Community College Optional Retirement Program; (v) thirty-three and
31 twenty-six hundredths percent (33.26%) – Consolidated Judicial Retirement System; and (vi)
32 nine and one hundredth percent (9.01%) – Legislative Retirement System. Each of the
33 foregoing contribution rates includes five and sixty-one hundredths percent (5.61%) for
34 hospital and medical benefits. The rate for the Teachers and State Employees, State Law
35 Enforcement Officers, University Employees' Optional Retirement Program, and the
36 Community College Optional Retirement Program includes forty-one hundredths percent
37 (0.41%) for the Disability Income Plan. The rates for Teachers and State Employees and State
38 Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits
39 Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental
40 Retirement Income. The rate for Teachers and State Employees and State Law Enforcement
41 Officers includes one hundredth percent (0.01%) for the Qualified Excess Benefit
42 Arrangement.

43 **SECTION 30.20.(c)** Effective July 1, 2015, the maximum annual employer
44 contributions, payable monthly, by the State for each covered employee or retiree for the
45 2015-2016 fiscal year to the State Health Plan for Teachers and State Employees are (i)
46 Medicare-eligible employees and retirees – four thousand two hundred fifty-eight dollars
47 (\$4,258) and (ii) non-Medicare-eligible employees and retirees – five thousand four hundred
48 seventy-nine dollars (\$5,479).

49 50 **PROVIDE COST-OF-LIVING INCREASES FOR MEMBERS OF THE TEACHERS'** 51 **AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LEGISLATIVE**

RETIREMENT SYSTEM, AND THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

SECTION 30.21.(a) G.S. 135-5 is amended by adding a new subsection to read:

"(uuu) From and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2014, shall be increased by two percent (2%) of the allowance payable on June 1, 2014, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2014, but before June 30, 2015, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2014, and June 30, 2015."

SECTION 30.21.(b) G.S. 120-4.22A is amended by adding a new subsection to read:

"(z) In accordance with subsection (a) of this section, from and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before January 1, 2015, shall be increased by two percent (2%) of the allowance payable on June 1, 2015. Furthermore, from and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced after January 1, 2015, but before June 30, 2015, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 2014, and June 30, 2015."

SECTION 30.21.(c) G.S. 135-65 is amended by adding a new subsection to read:

"(ff) From and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2014, shall be increased by two percent (2%) of the allowance payable on June 1, 2015. Furthermore, from and after July 1, 2015, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2014, but before June 30, 2015, shall be increased by a prorated amount of two percent (2%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2014, and June 30, 2015."

USE OF FUNDS APPROPRIATED FOR STATE RETIREMENT CONTRIBUTION AND STATE HEALTH PLAN INCREASES

SECTION 30.22.(a) The appropriations set forth in Section 2.1 of this act include appropriations for State Retirement contribution and State Health Plan increases in amounts set forth in the committee report described in Section 33.2 of this act. The Office of State Budget and Management shall ensure that those funds are used only for State Retirement contribution and State Health Plan increases.

SECTION 30.22.(b) If the Director of the Budget determines that funds appropriated to a State agency for increases exceed the amount required by that agency for that purpose, the Director may reallocate those funds to other State agencies that received insufficient funds for State Retirement contribution and State Health Plan increases.

SECTION 30.22.(c) No later than January 1, 2016, the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations on the expenditure of funds for State Retirement contribution and State Health Plan increases. This report shall include at least the following information for each State agency for the 2015-2016 fiscal year:

- (1) The total amount of funds that the agency received for State Retirement contribution and State Health Plan increases.

- (2) The total amount of funds transferred from the agency to other State agencies pursuant to subsection (b) of this section. This section of the report shall identify the amounts transferred to each recipient State agency.
- (3) The total amount of funds used by the agency for State Retirement contribution and State Health Plan increases.
- (4) The total amount of funds received by the agency for State Retirement contribution and State Health Plan increases that are anticipated to revert at the end of the fiscal year.

ENHANCE THE BENEFITS OF PROBATION/PAROLE OFFICERS WHO ARE MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

SECTION 30.23.(a) G.S. 135-1 reads as rewritten:

"§ 135-1. Definitions.

The following words and phrases as used in this Chapter, unless a different meaning is plainly required by the context, shall have the following meanings:

- ...
- (11c) "Law-Enforcement Officer" means a full-time paid employee of an employer who is actively serving in a position with assigned primary duties and responsibilities for prevention and detection of crime or the general enforcement of the criminal laws of the State of North Carolina or serving civil processes, and who possesses the power of arrest by virtue of an oath administered under the authority of the State. "Law-Enforcement Officer" also means a probation/parole officer as defined in this section with respect to any service rendered on or after July 1, 2015.

- ...
- (17a) "Probation/Parole Officer" means a full-time paid employee of the Division of Adult Correction of the Department of Public Safety whose duties include supervising, evaluating, or otherwise instructing offenders who have been placed on probation, parole, post-release supervision, or have been assigned to any other community-based program operated by the Division of Adult Correction.

...."

SECTION 30.23.(b) G.S. 143-166.41(b) reads as rewritten:

"(b) As used in this section, "creditable service" means the service for which credit is allowed under the retirement system of which the officer is a member, provided that at least fifty percent (50%) of the service is as a law enforcement officer as herein ~~defined~~ defined or as a probation/parole officer as defined in G.S. 135-1(17a)."

SECTION 30.23.(c) This section becomes effective July 1, 2015, and applies to persons retiring on or after that date.

ENHANCE BENEFITS PAYABLE THROUGH THE NATIONAL GUARD PENSION FUND

SECTION 30.24. G.S. 127A-40(a) reads as rewritten:

"(a) Every member and former member of the North Carolina National Guard who meets the requirements of this section shall receive, commencing at age 60, a pension of ~~ninety-nine dollars (\$99.00)~~ one hundred five dollars (\$105.00) per month for 20 years' creditable military service with an additional ~~nine dollars ninety cents (\$9.90)~~ ten dollars and fifty cents (\$10.50) per month for each additional year of such service; provided, however, that the total pension shall not exceed ~~one hundred ninety-eight dollars (\$198.00)~~ two hundred ten dollars (\$210.00) per month. The requirements for a pension are that each member shall:

- (1) Have served and qualified for at least 20 years' creditable military service, including National Guard, reserve and active duty, under the same requirement specified for entitlement to retired pay for nonregular service under Chapter 67, Title 10, United States Code.
- (2) Have at least 15 years of the aforementioned service as a member of the North Carolina National Guard.
- (3) Have received an honorable discharge from the North Carolina National Guard."

ALLOW RETIREES WHO RETURN TO WORK FOR THE STATE IN NONPERMANENT POSITIONS TO RETAIN THEIR COVERAGE OPTIONS UNDER THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES RATHER THAN LIMITING SUCH RETIREES' COVERAGE OPTIONS TO THE "BRONZE LEVEL" HIGH-DEDUCTIBLE HEALTH PLAN NECESSITATED BY THE AFFORDABLE CARE ACT

SECTION 30.25.(a) G.S. 135-48.40 reads as rewritten:

"§ 135-48.40. Categories of eligibility.

...

(b) Partially Contributory Coverage. – The following persons are eligible for coverage under the Plan, on a partially contributory basis, subject to the provisions of G.S. 135-48.43:

- (1) All permanent full-time employees of an employing unit who meet either of the following conditions:

- a. Paid from general or special State funds.

- b. Paid from non-State funds and in a group for which his or her employing unit has agreed to provide coverage.

Employees of State agencies, departments, institutions, boards, and commissions not otherwise covered by the Plan who are employed in permanent job positions on a recurring basis and who work 30 or more hours per week for nine or more months per calendar year are covered by the provisions of this subdivision.

- (1a) All retirees who (i) are employed by an employing unit, (ii) do not qualify for coverage under subdivision (1) of this subsection, and (iii) are determined to be "full-time" by their employing unit in accordance with section 4980H of the Internal Revenue Code and the applicable regulations, as amended. The Department of State Treasurer shall, using a process developed by the Department, reimburse an employing unit the employing unit's cost to cover such a retiree who enrolls in the Plan. The reimbursement shall be made at least once per plan year and shall be paid from the Retiree Health Benefit Fund.

...

(e) Other Contributory Coverage. – Any employee of an employing unit is eligible for coverage under this section on a contributory basis, subject to the provisions of G.S. 135-48.43 and of this section, if (i) the employee's employing unit determines that the employee is a full-time employee and (ii) the employee does not qualify for coverage under subdivision (1), (1a), (5), (6), (7), (8), (9), or (10) of G.S. 135-48.40(b). For the purposes of this subsection, the full-time status of an employee shall be determined by the employing unit, in its sole discretion, in accordance with Section 4980H of the Internal Revenue Code and the applicable regulations, as amended. The coverage offered and the contribution required for coverage under this section shall be determined by the Treasurer and approved by the Board of Trustees. Such coverage shall do all of the following:

- (1) Be designed to meet the requirements of minimum essential coverage under the Patient Protection and Affordable Care Act, P.L. 111-148, and the applicable regulations, as amended (Affordable Care Act).
- (2) Provide no greater coverage than a bronze-level plan, as defined under the Affordable Care Act.
- (3) Minimize the required employer contribution in an administratively feasible manner."

SECTION 30.25.(b) G.S. 135-48.41(j) reads as rewritten:

"(j) If a retiree has been hired by an employing unit and is eligible for coverage under subdivision (1), (1a), (5), (6), (7), (8), (9), or (10) of G.S. 135-48.40(b) or under G.S. 135-48.40(e), then the hired retiree shall not, during the time of employment, be eligible for retiree coverage under G.S. 135-48.40(a)(1), G.S. 135-48.40(b)(3), G.S. 135-48.40(c)(2), or G.S. 135-48.40(d)(11)."

RESERVE FOR FUTURE BENEFITS NEEDS

SECTION 30.26. It is the intent of the General Assembly to make funds in the Reserve for Future Benefits Needs available for increasing employer contributions to the State Health Plan for Teachers and State Employees during the 2016-2017 fiscal year only if the General Assembly determines that the State Treasurer and the Board of Trustees established under G.S. 135-48.20 have adopted sufficient measures to limit projected employer contribution increases during the 2017-2019 fiscal biennium, in accordance with their powers and duties enumerated in Article 3B of Chapter 135 of the General Statutes.

LEGISLATIVE RESEARCH COMMISSION/STUDY SUPPLEMENTAL POST-TAX BENEFITS FOR STATE EMPLOYEES

SECTION 30.27. The Legislative Research Commission (LRC) may study the supplemental post-tax benefits that State agencies and constituent institutions of The University of North Carolina offer beyond NC Flex pre-tax options, including (i) the process for selecting the benefits, (ii) consolidation of the committees selecting benefits, (iii) the cost and value of the coverage selected, and (iv) a comparison of the benefits to the NC Flex options and to options available to the public employees of other states. The LRC shall submit a report to the 2016 Regular Session of the 2015 General Assembly, upon its convening, on any findings and legislative proposals pertaining to the study.

PART XXXI. CAPITAL PROJECTS

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 31.1. The appropriations made by the 2015 General Assembly for capital improvements are for constructing, repairing, or renovating State buildings, utilities, and other capital facilities, for acquiring sites for them where necessary, and for acquiring buildings and land for State government purposes.

CAPITAL PROJECTS/GENERAL FUND

SECTION 31.2.(a) Of the funds appropriated in this act from the General Fund for the 2015-2017 fiscal biennium the following amounts shall be allocated for capital improvements:

Capital Improvements – General Fund	2015-2016	2016-2017
Department of Agriculture and Consumer Services		
Dorton Arena Roof Replacement	\$ 2,305,000	—

1			
2	Department of Cultural Resources		
3	USS North Carolina Hull Repair and Cofferdam	3,000,000	—
4			
5	Department of Environment and Natural Resources		
6	Water Resources Development	5,083,000	—
7			
8	Department of Justice		
9	State Crime Laboratory Facilities	15,000,000	—
10			
11	Department of Public Safety		
12	Armory and Facility Development Projects	618,000	5,087,500
13			
14	General Assembly		
15	Legislative Building Roof Replacement and		
16	Asbestos Abatement	4,001,000	—
17			
18	University of North Carolina		
19	NCSU Engineering Building Planning	11,900,000	—
20	NCSU Plant Sciences Building Planning	5,000,000	—
21	Western School of Science and Math Advance Planning	1,600,000	—
22			
23	TOTAL CAPITAL IMPROVEMENTS –		
24	 GENERAL FUND	\$ 48,507,000	5,087,500
25			

26 **SECTION 31.2.(b)** The General Assembly authorizes planning of the Plant
 27 Sciences Building at North Carolina State University to be funded at a maximum cost of
 28 fourteen million dollars (\$14,000,000) in accordance with this section. The sum of five million
 29 dollars (\$5,000,000) allocated for this purpose in subsection (a) of this section shall be used for
 30 this purpose. The remainder shall be funded with receipts or from other non-General Fund
 31 sources available to North Carolina State University, and those funds are hereby appropriated
 32 for that purpose.

34 WATER RESOURCES DEVELOPMENT PROJECTS

35 **SECTION 31.3.(a)** The Department of Environment and Natural Resources shall
 36 allocate funds for water resources development projects in accordance with the schedule that
 37 follows. The amounts set forth in the schedule include funds appropriated in this act for water
 38 resources development projects and funds carried forward from previous fiscal years in
 39 accordance with subsection (b) of this section. These funds will provide a State match for an
 40 estimated forty-four million three hundred fifty-three thousand dollars (\$44,353,000) in federal
 41 funds.

42		
43	Name of Project	2015-2016
44		
45	(1) Jordan Water Supply	\$ 200,000
46	(2) Wilmington Harbor Study	225,000
47	(3) Planning Assistance	25,000
48	(4) Wilmington Harbor Deepening	600,000
49	(5) Wilmington Harbor Maintenance	—
50	(6) Morehead City Harbor Maintenance	—
51	(7) Carolina Beach Storm Damage Reduction	1,400,000

1	(8)	Carolina Beach Storm Damage Reduction 15-Year Extension Study	81,000
2	(9)	Kure Beach Storm Damage Reduction	1,450,000
3	(10)	Wrightsville Storm Damage Reduction Reevaluation Report	81,000
4	(11)	Ocean Isle Storm Damage Reduction Reevaluation Report	81,000
5	(12)	Bogue Banks Storm Damage Reduction Preconstruction,	
6		Engineering, and Design	165,000
7	(13)	Surf City/North Topsail Preconstruction Activities	135,000
8	(14)	West Onslow Beach Preconstruction Activities	135,000
9	(15)	NRCS EQIP (65/35)	1,000,000
10	(16)	Planning for S.L. 2010-143	75,000
11	(17)	State-Local Projects	1,000,000
12	(18)	Lock and Dam #2 – Fish Ramp – Phase 1	250,000
13	(19)	Linville River Restoration	250,000
14	(20)	Assistance to Counties – EAP Preparation	250,000
15	(21)	North Topsail Shoreline Protection – Phase 2	500,000

TOTALS**\$ 7,903,000**

SECTION 31.3.(b) It is the intent of the General Assembly that funds carried forward from previous fiscal years be used to supplement the five million eighty-three thousand dollars (\$5,083,000) allocated for water resources development projects in Section 31.2(a) of this act. Therefore, the following funds carried forward from previous fiscal years shall be used for the following projects:

Name of Project**Amount Carried Forward**

27	(1)	Wilmington Harbor Study	\$ 225,000
28	(2)	Planning Assistance	25,000
29	(3)	Wilmington Harbor Deepening	600,000
30	(4)	Carolina Beach Storm Damage Reduction	727,000
31	(5)	Kure Beach Storm Damage Reduction	808,000
32	(6)	Bogue Banks Storm Damage Reduction Preconstruction,	
33		Engineering, and Design	165,000
34	(7)	Surf City/North Topsail Preconstruction Activities	135,000
35	(8)	West Onslow Beach Preconstruction Activities	135,000

TOTALS**\$ 2,820,000**

SECTION 31.3.(c) Where the actual costs are different from the estimated costs under subsection (a) of this section, the Department may adjust the allocations among projects as needed. If any projects funded under subsection (a) of this section are delayed and the budgeted State funds cannot be used during the 2015-2016 fiscal year or if the projects funded under subsection (a) of this section are accomplished at a lower cost, the Department may use the resulting fund availability to fund any of the following:

- (1) U.S. Army Corps of Engineers project feasibility studies.
- (2) U.S. Army Corps of Engineers projects whose schedules have advanced and require State matching funds in the 2015-2016 fiscal year.
- (3) State-local water resources development projects.

Funds subject to this subsection that are not expended or encumbered for the purposes set forth in subdivisions (1) through (3) of this subsection shall revert to the General Fund at the end of the 2016-2017 fiscal year.

SECTION 31.3.(d) The Department shall make semiannual reports on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management. Each report shall include all of the following:

- (1) All projects listed in this section.
- (2) The estimated cost of each project.
- (3) The date that work on each project began or is expected to begin.
- (4) The date that work on each project was completed or is expected to be completed.
- (5) The actual cost of the project.

The semiannual reports also shall show those projects advanced in schedule, those projects delayed in schedule, and an estimate of the amount of funds expected to revert to the General Fund.

SECTION 31.3.(e) Notwithstanding any provision of law to the contrary, funds appropriated for a water resources development project shall be used to provide no more than fifty percent (50%) of the nonfederal portion of funds for the project. This subsection applies to funds appropriated in this act and to funds appropriated prior to the 2015-2017 fiscal biennium that are unencumbered and proposed for reallocation to provide the nonfederal portion of funds for water resources development projects. The limitation on fund usage contained in this subsection applies only to projects in which a local government or local governments participate.

NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS

SECTION 31.4.(a) The General Assembly authorizes the following capital projects to be funded with receipts or from other non-General Fund sources available to the appropriate department:

Name of Project	Amount of Non-General Fund Funding Authorized	
	FY 2015-2016	FY 2016-2017
Department of Agriculture and Consumer Services		
WNC Farmers Market Improvements/Robert G. Shaw Piedmont Triad Farmers Market Improvements	\$ 3,000,000	-
WNC Agricultural Center Events/Restroom Building	500,000	-
NC Forest Service Mountain Island Educational Forest-Visitor and Interpretive Center	4,000,000	-
Deer Fence on Research Stations	200,000	-
Aviary Egg Layer Research Building	1,750,000	-
State Fair Renovations/Infrastructure Improvements	2,500,000	-
State Fair Horse Complex	1,000,000	-
Animal Disease Diagnostic Laboratory Equipment	500,000	-
Department of Environment and Natural Resources		
Fort Fisher Aquarium Seawall	590,000	590,000
Gorilla Expansion	450,000	-
Department of Transportation		
Anson County Blacksmith Shop	-	195,000
Nash County Equipment Shop	-	194,200

1	Gaston County Equipment Shop	-	2,409,000
2	Greenville DMV Office	-	4,168,866
3			
4	Wildlife Resources Commission		
5	Boating Access New Construction	3,750,000	3,750,000
6	Land Acquisition	900,000	900,000
7	Jordan Lake Depot	500,000	-
8	Fishing Access Construction	-	200,000
9			
10	TOTAL AMOUNT OF NON-GENERAL		
11	FUND CAPITAL PROJECTS		
12	AUTHORIZED	\$ 19,640,000	12,407,066

13

14 **SECTION 31.4.(b)** From funds deposited with the State Treasurer in a capital

15 improvement account to the credit of the Department of Agriculture and Consumer Services

16 pursuant to G.S. 146-30, the sum of seventy-five thousand dollars (\$75,000) for the 2015-2016

17 fiscal year and the sum of seventy-five thousand dollars (\$75,000) for the 2016-2017 fiscal year

18 shall be transferred to the Department of Agriculture and Consumer Services to be used,

19 notwithstanding G.S. 146-30, by the Department for its plant conservation program under

20 Article 19B of Chapter 106 of the General Statutes for costs incidental to the acquisition of

21 land, such as land appraisals, land surveys, title searches, and environmental studies, and for

22 the management of the plant conservation program preserves owned by the Department.

23 **REPAIRS AND RENOVATIONS RESERVE ALLOCATION**

24 **SECTION 31.5.(a)** Of the funds in the Reserve for Repairs and Renovations for

25 the 2015-2016 and the 2016-2017 fiscal years, the following allocations shall be made to the

26 following agencies for repairs and renovations pursuant to G.S. 143C-4-3:

- 27 (1) One-third of the funds shall be allocated to the Board of Governors of The
- 28 University of North Carolina.
- 29 (2) Two-thirds of the funds shall be allocated to the Office of State Budget and
- 30 Management.

31 The Office of State Budget and Management shall consult with or report to the Joint

32 Legislative Commission on Governmental Operations, as appropriate, in accordance with

33 G.S. 143C-4-3(e). The Board of Governors shall report to the Joint Legislative Commission on

34 Governmental Operations in accordance with G.S. 143C-4-3(d).

35 **SECTION 31.5.(b)** Notwithstanding G.S. 143C-4-3(d), of the funds allocated to

36 the Board of Governors of The University of North Carolina in subsection (a) of this section, a

37 portion shall be used each fiscal year by the Board of Governors for the installation of fire

38 sprinklers in university residence halls. This portion shall be in addition to funds otherwise

39 appropriated in this act for the same purpose. Such funds shall be allocated among the

40 University's constituent institutions by the President of The University of North Carolina, who

41 shall consider the following factors when allocating those funds:

- 42 (1) The safety and well-being of the residents of campus housing programs.
- 43 (2) The current level of housing rents charged to students and how that
- 44 compares to an institution's public peers and other UNC institutions.
- 45 (3) The level of previous authorizations to constituent institutions for the
- 46 construction or renovation of residence halls funded from the General Fund
- 47 or from bonds or certificates of participation supported by the General Fund
- 48 since 1996.
- 49 (4) The financial status of each constituent institution's housing system,
- 50 including debt capacity, debt coverage ratios, credit rankings, required
- 51

reserves, the planned use of cash balances for other housing system improvements, and the constituent institution's ability to pay for the installation of fire sprinklers in all residence halls.

- (5) The total cost of each proposed project, including the cost of installing fire sprinklers and the cost of other construction, such as asbestos removal and additional water supply needs.

The Board of Governors shall submit progress reports to the Joint Legislative Commission on Governmental Operations. Reports shall include the status of completed, current, and planned projects. Reports also shall include information on the financial status of each constituent institution's housing system, the constituent institution's ability to pay for fire protection in residence halls, and the timing of installation of fire sprinklers. Reports shall be submitted on January 1 and July 1 until all residence halls have fire sprinklers.

SECTION 31.5.(c) Notwithstanding G.S. 143C-4-3(d), of the funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section, a portion shall be used each fiscal year by the Board of Governors for campus public safety improvements allowable under G.S. 143C-4-3(b).

SECTION 31.5.(d) The Board of Governors shall consider the availability of non-General Fund resources in determining which projects to fund with funds allocated to the Board of Governors of The University of North Carolina in subsection (a) of this section.

PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

SECTION 31.6. The appropriations made by the 2015 General Assembly for capital improvements shall be disbursed for the purposes provided by this act. Expenditure of funds shall not be made by any State department, institution, or agency until an allotment has been approved by the Governor as Director of the Budget. The allotment shall be approved only after full compliance with the State Budget Act, Chapter 143C of the General Statutes. Prior to the award of construction contracts for projects to be financed in whole or in part with self-liquidating appropriations, the Director of the Budget shall approve the elements of the method of financing of those projects, including the source of funds, interest rate, and liquidation period. Provided, however, that if the Director of the Budget approves the method of financing a project, the Director shall report that action to the Joint Legislative Commission on Governmental Operations at its next meeting.

Where direct capital improvement appropriations include the purpose of furnishing fixed and movable equipment for any project, those funds for equipment shall not be subject to transfer into construction accounts except as authorized by the Director of the Budget. The expenditure of funds for fixed and movable equipment and furnishings shall be reviewed and approved by the Director of the Budget prior to commitment of funds.

Capital improvement projects authorized by the 2015 General Assembly shall be completed, including fixed and movable equipment and furnishings, within the limits of the amounts of the direct or self-liquidating appropriations provided, except as otherwise provided in this act. Capital improvement projects authorized by the 2015 General Assembly for the design phase only shall be designed within the scope of the project as defined by the approved cost estimate filed with the Director of the Budget, including costs associated with site preparation, demolition, and movable and fixed equipment.

REPORTING ON CAPITAL PROJECTS

SECTION 31.7.(a) Definitions. – The following definitions apply in this section:

- (1) Capital project. – Any capital improvement, as that term is defined in G.S. 143C-1-1, that is not complete by the effective date of this section and that is funded in whole or in part with State funds, including receipts, non-General Fund sources, or statutorily or constitutionally authorized

indebtedness of any kind. This term includes only projects with a total cost of one hundred thousand dollars (\$100,000) or more.

(2) Construction phase. – The status of a particular capital project as described using the terms customarily employed in the design and construction industries.

(3) New capital project. – A capital project that is authorized in this act or subsequent to the effective date of this act.

SECTION 31.7.(b) Reporting. – The following reports are required:

(1) By October 1, 2015, and every six months thereafter, each State agency shall report on the status of agency capital projects to the Joint Legislative Commission on Governmental Operations.

(2) By October 1, 2015, and quarterly thereafter, each State agency shall report on the status of agency capital projects to the Fiscal Research Division of the General Assembly and to the Office of State Budget and Management.

SECTION 31.7.(c) The reports required by subsection (b) of this section shall include at least the following information about every agency capital project:

(1) The current construction phase of the project.

(2) The anticipated time line from the current construction phase to project completion.

(3) Information about expenditures that have been made in connection with the project, regardless of source of the funds expended.

(4) Information about the adequacy of funding to complete the project, including estimates of how final expenditures will relate to initial estimates of expenditures, and whether or not scope reductions will be necessary in order to complete the project within its budget.

(5) For new capital projects only, an estimate of the operating costs for the project for the first five fiscal years of its operation.

SECTION 31.7.(d) In addition to the other reports required by this section, on October 1, 2015, and every six months thereafter, the Office of State Construction shall report on the status of the Facilities Condition Assessment Program (FCAP) to the Joint Legislative Commission on Governmental Operations. The report shall include (i) summary information about the average length of time that passes between FCAP assessments for an average State building; (ii) detailed information about when the last FCAP assessment was for each State building complex; and (iii) detailed information about the condition and repairs and renovations needs of each State building complex.

SECTION 31.7.(e) In addition to the other reports required by this section, on October 1, 2015, and quarterly thereafter, the State Construction Office shall report to the General Assembly on the status of plan review, approval, and permitting for each State capital improvement project and community college capital improvement project over which the Office exercises plan review, approval, and permitting authority. Each report shall include (i) summary information about the workload of the Office during the previous quarter, including information about the average length of time spent by the State Construction Office on each major function it performs that is related to capital project approval, and (ii) detailed information about the amount of time spent engaged in those functions for each project that the State Construction Office worked on during the previous quarter.

NATIONAL GUARD PROJECTS

SECTION 31.8.(a) The Department of Public Safety shall allocate the funds allocated for armory and facility development projects in Section 31.2(a) of this act to projects designated by the Adjutant General of the North Carolina National Guard. The Adjutant General shall only provide for the allocation of funds to projects that were included in the latest

1 Armory and Facilities Development Plan developed pursuant to G.S. 127A-210 and may
2 determine which fiscal year of the biennium each designated project shall be funded. These
3 funds will provide a State match for federal funds made available for this purpose.

4 **SECTION 31.8.(b)** No later than June 1, 2017, and every two years thereafter, the
5 Department shall report on the use of these funds to the Joint Legislative Commission on
6 Governmental Operations, the Fiscal Research Division of the General Assembly, and the
7 Office of State Budget and Management. Each report shall include all of the following:

- 8 (1) The status of all projects undertaken pursuant to this section.
- 9 (2) The estimated total cost of each project.
- 10 (3) The date that work on each project began or is expected to begin.
- 11 (4) The date that work on each project was completed or is expected to be
12 completed.
- 13 (5) The actual cost of each project, including federal matching funds.
- 14 (6) Facilities planned for closure or reversion.
- 15 (7) A list of projects advanced in schedule, those projects delayed in schedule,
16 and an estimate of the amount of funds expected to revert to the General
17 Fund.

18
19 **REQUIRE NON-GENERAL FUND RESOURCES TO BE USED FOR ADVANCED**
20 **PLANNING OF UNIVERSITY CAPITAL PROJECTS**

21 **SECTION 31.9.** G.S. 143C-3-3 reads as rewritten:

22 **"§ 143C-3-3. Budget requests from State agencies in the executive branch.**

23 ...

24 (b) University of North Carolina System Request. – Notwithstanding the requirement in
25 G.S. 116-11 that the Board of Governors prepare a unified budget request for all of the
26 constituent institutions of The University of North Carolina, ~~repairs~~ budget requests of the
27 University shall be subject to all of the following:

- 28 (1) Repairs and renovations, renovations requests, capital fund requests, and
29 information technology requests shall comply with subsections (c), (d), and
30 (e) of this section.
- 31 (2) The University of North Carolina shall not make a capital funds request
32 proposing to construct a new facility, expand the building area (square feet)
33 of an existing facility, or rehabilitate an existing facility to accommodate
34 new or expanded uses unless the University has first completed advanced
35 planning of the project with funds other than General Fund appropriations
36 and other than funds carried forward from one fiscal year to another pursuant
37 to G.S. 116-30.3.

38"

39
40 **TRANSFER OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES OFF**
41 **OF THE DOROTHEA DIX CAMPUS**

42 **SECTION 31.10.(a)** The Department of Administration, in consultation with the
43 Department of Health and Human Services and any other relevant State agencies, shall develop
44 a plan for moving the personnel and resources of the Department of Health and Human
45 Services that currently reside on the Dorothea Dix campus to other space available to the State.
46 The Department of Administration shall report the plan to the Joint Legislative Commission on
47 Governmental Operations and to the Fiscal Research Division no later than the earlier of
48 October 1, 2016, or six months prior to the date on which the Department is required to move
49 some or all of its personnel and resources from the Dorothea Dix campus under the terms of an
50 agreement between the State and the City of Raleigh. The plan required by this section shall
51 include at least the following information:

- (1) The location to which the personnel and resources of the Department of Health and Human Services will be relocated.
- (2) The square footage needed in order to accommodate the relocation.
- (3) A statement of anticipated costs or benefits associated with the relocation.
- (4) A schedule for implementation of the relocation plan.
- (5) Identification of any potential obstacles to the relocation plan.
- (6) Options for financing the relocation plan, developed in conjunction with the State Treasurer and the State Controller.

SECTION 31.10.(b) Notwithstanding any other provision of law, the Department of Administration shall not enter into any lease or other agreement to move the personnel or resources of the Department of Health and Human Services that currently reside on the Dorothea Dix campus to other space until specifically authorized to do so by the General Assembly.

MODIFY SPECIAL INDEBTEDNESS PROVISIONS

SECTION 31.11.(a) G.S. 143-128.1C reads as rewritten:

"§ 143-128.1C. Public-private partnership construction contracts.

- (a) Definitions for purposes of this section:

...

- (4) Development contract. – Any contract between a governmental entity and a private developer under this section and, as part of the contract, the private developer is required to provide at least fifty percent (50%) of the financing for the total cost necessary to deliver the capital improvement project, whether through lease or ownership, for the governmental entity. For purposes of determining whether the private developer is providing the minimum percentage of the total financing costs, the calculation shall not include any payment made by a public entity or proceeds of financing arrangements by a private entity where the source of repayment is a public entity.

...

- (10) State-supported financing arrangement. – Any installment financing arrangement, lease-purchase arrangement, arrangement under which funds are to be paid in the future based upon the availability of an asset or funds for payment, or any similar arrangement in the nature of a financing, under which a State entity agrees to make payments to acquire or obtain ownership or beneficial use of a capital asset for the State entity or any other State entity for a term, including renewal options, of greater than one year. Any arrangement that results in the identification of a portion of a lease payment, installment payment, or similar scheduled payment thereunder by a State entity as "interest" for purposes of federal income taxation shall automatically be a State-supported financing arrangement for purposes of this section. A true operating lease is not a State-supported financing arrangement.

...

- (k) Leases and other agreements entered into under this section are subject to approval as follows:

...

- (2) If a capital lease ~~is or other agreement~~ entered into by a State entity that constitutes a State-supported financing arrangement and requires payments thereunder that are payable, whether directly or indirectly, and whether or not subject to the appropriation of funds for such payment, by payments

from the General Fund of the State or other funds and accounts of the State that are funded from the general revenues and other taxes and fees of the State or State entities, not including taxes and fees that are required to be deposited to the Highway Fund or Highway Trust Fund, Fund to be used to make payments under capital leases or other agreements for projects covered under Article 14B of Chapter 136 of the General Statutes, that capital lease or other agreement shall be subject to the approval procedures required for special indebtedness by G.S. 142-83 and G.S. 142-84. This requirement shall not apply to any arrangement where bonds or other obligations are issued or incurred by a State entity to carry out a financing program authorized by the General Assembly under which such bonds or other obligations are payable from monies derived from specified, limited, nontax sources, so long as the payments under that arrangement by a State entity are limited to the sources authorized by the General Assembly.

...."

SECTION 31.11.(b) This section is effective when this act becomes law.

TWO-THIRDS BONDS ACT OF 2015

SECTION 31.12.(a) Short Title. – This section may be cited as the "Two-Thirds Bonds Act of 2015."

SECTION 31.12.(b) Findings and Determinations. – It is the intent and purpose of the General Assembly by this section to provide for the issuance of general obligation bonds or notes of the State in order to provide funds for the cost of State capital facilities.

SECTION 31.12.(c) Definitions. – The following definitions apply in this section unless the context otherwise requires:

(1) Bonds. – Bonds issued under this section.

(2) Cost. – The term includes all of the following:

- a. The cost of constructing, reconstructing, renovating, repairing, enlarging, acquiring, and improving State capital facilities, including the acquisition of land, rights-of-way, easements, franchises, equipment, machinery, furnishings, and other interests in real or personal property acquired or used in connection with a State capital facility.
- b. The cost of engineering, architectural, and other consulting services as may be required.
- c. Administrative expenses and charges.
- d. The cost of providing personnel to ensure effective project management.
- e. The cost of bond insurance, investment contracts, credit enhancement and liquidity facilities, interest-rate swap agreements or other derivative products, financial and legal consultants, and related costs of bond and note issuance to the extent and as determined by the State Treasurer.
- f. Finance charges, reserves for debt service, and other types of reserves required pursuant to the terms of any bond or note or related documents, interest before and during construction or acquisition of a State capital facility and, if considered advisable by the State Treasurer, for a period not exceeding two years after the estimated date of completion of construction or acquisition.
- g. The cost of bond insurance, investment contracts, credit enhancement facilities and liquidity facilities, interest-rate swap agreements or

- 1 other derivative products, financial and legal consultants, and related
2 costs of the incurrence or issuance of any bond or note.
- 3 h. The cost of reimbursing the State for any payments made for any cost
4 described in this subdivision.
- 5 i. Any other costs and expenses necessary or incidental to the purposes
6 of this section.
- 7 (3) Credit facility. – An agreement entered into by the State Treasurer on behalf
8 of the State with a bank, savings and loan association, or other banking
9 institution; an insurance company, reinsurance company, surety company, or
10 other insurance institution; a corporation, investment banking firm, or other
11 investment institution; or any financial institution or other similar provider
12 of a credit facility, which provider may be located within or without the
13 United States, such agreement providing for prompt payment of all or any
14 part of the principal or purchase price (whether at maturity, presentment or
15 tender for purchase, redemption, or acceleration), redemption premium, if
16 any, and interest on any bonds or notes payable on demand or tender by the
17 owner, in consideration of the State agreeing to repay the provider of the
18 credit facility in accordance with the terms and provisions of such
19 agreement.
- 20 (4) Notes. – Notes issued under this section.
- 21 (5) Par formula. – A provision or formula adopted by the State to provide for the
22 adjustment, from time to time, of the interest rate or rates borne by any
23 bonds or notes, including the following:
- 24 a. A provision providing for such adjustment so that the purchase price
25 of such bonds or notes in the open market would be as close to par as
26 possible.
- 27 b. A provision providing for such adjustment based upon a percentage
28 or percentages of a prime rate or base rate, which percentage or
29 percentages may vary or be applied for different periods of time.
- 30 c. Such other provision as the State Treasurer may determine to be
31 consistent with this act and will not materially and adversely affect
32 the financial position of the State and the marketing of bonds or notes
33 at a reasonable interest cost to the State.
- 34 (6) State. – The State of North Carolina, including any State agency.
- 35 (7) State agency. – Any agency, institution, board, commission, bureau, council,
36 department, division, officer, or employee of the State. The term does not
37 include counties, municipal corporations, political subdivisions, local boards
38 of education, or other local public bodies.

39 **SECTION 31.12.(d)** Authorization of Bonds and Notes. – The State Treasurer is
40 authorized, by and with the consent of the Council of State, to issue and sell at one time or from
41 time to time general obligation bonds of the State to be designated "State of North Carolina
42 General Obligation Bonds," with any additional designations as may be determined, or notes of
43 the State, in the aggregate principal amount of up to two hundred sixty-nine million five
44 hundred twenty-five thousand two hundred dollars (\$269,525,200), this amount being not in
45 excess of two-thirds of the amount by which the State's outstanding indebtedness was reduced
46 during the fiscal biennium that ended June 30, 2015, for the purpose of providing funds, with
47 any other available funds, for the purposes authorized by this section. However, bonds shall
48 only be issued under this section for projects listed in subsection (f) of this section that are not
49 otherwise authorized by May 31, 2016, to be financed with general obligation debt approved by
50 a majority of the qualified voters of the State who vote thereon.

1 **SECTION 31.12.(e)** Uses of Bond and Note Proceeds. – The proceeds of bonds
2 and notes shall be used for financing the cost of State capital facilities as provided in this
3 section. Any additional monies that may be received by grant from the United States of
4 America or any agency or department thereof or from any other source to aid in financing the
5 cost of any State capital facilities authorized by this section may be placed by the State
6 Treasurer in a separate fund or funds and shall be disbursed, to the extent permitted by the
7 terms of the grant, without regard to any limitations imposed by this section.

8 The proceeds of bonds and notes may be used with any other monies made available
9 by the General Assembly for the cost of State capital facilities, including the proceeds of any
10 other State bond or special indebtedness issues, whether heretofore made available or that may
11 be made available at the session of the General Assembly at which this section is ratified or any
12 subsequent sessions. The proceeds of bonds and notes shall be expended and disbursed under
13 the direction and supervision of the Director of the Budget. The funds provided by this section
14 shall be disbursed for the purposes provided in this section upon warrants drawn on the State
15 Treasurer by the State Controller, which warrants shall not be drawn until requisition has been
16 approved by the Director of the Budget and which requisition shall be approved only after full
17 compliance with the State Budget Act, Chapter 143C of the General Statutes.

18 The Office of State Budget and Management shall provide semiannual reports to the
19 chair of the Senate Appropriations/Base Budget Committee, the chair of the House of
20 Representatives Appropriations Committee, and the Fiscal Research Division on the
21 expenditure of monies authorized by this section. The reports shall continue until the
22 completion of the projects provided for in this section.

23 **SECTION 31.12.(f)** Allocation of Proceeds. – The proceeds of bonds and notes
24 shall be allocated and expended as provided as follows:

- 25 (1) A maximum aggregate principal amount of seventy million seven hundred
26 eighty-two thousand dollars (\$70,782,000) to finance the capital facility
27 costs of a health sciences building at Appalachian State University.
- 28 (2) A maximum aggregate principal amount of sixty-five million one hundred
29 thousand dollars (\$65,100,000) to finance the capital facility costs of an
30 engineering building at North Carolina State University.
- 31 (3) A maximum aggregate principal amount of ninety million dollars
32 (\$90,000,000) to finance the capital facility costs of a new sciences building
33 at the University of North Carolina at Charlotte.
- 34 (4) A maximum aggregate principal amount of twelve million nine hundred
35 seventy-six thousand dollars (\$12,976,000) to finance the capital facility
36 costs of a new DHHS medical examiner facility at Wake Forest University.
- 37 (5) A maximum aggregate principal amount of thirty million six hundred
38 sixty-seven thousand two hundred dollars (\$30,667,200) to finance the
39 capital facility costs of Phase 1 of the Highway Patrol Training Academy.

40 **SECTION 31.12.(g)** Issuance of Bonds and Notes. –

- 41 (1) Terms and conditions. – Bonds or notes may bear a date or dates, may be
42 serial or term bonds or notes, or any combination thereof, may mature in
43 such amounts and at such time or times, not exceeding 40 years from their
44 date or dates, may be payable at such place or places, either within or
45 without the United States of America, in such coin or currency of the United
46 States of America as at the time of payment is legal tender for payment of
47 public and private debts, may bear interest at such rate or rates, which may
48 vary from time to time, and may be made redeemable before maturity, at the
49 option of the State or otherwise as may be provided by the State, at such
50 price or prices, including a price less than or greater than the face amount of
51 the bonds or notes, and under such terms and conditions, all as may be

determined by the State Treasurer, by and with the consent of the Council of State.

(2) Signatures; form and denomination; registration. – Bonds or notes may be issued in certificated or uncertificated form. If issued in certificated form, bonds or notes shall be signed on behalf of the State by the Governor or shall bear the Governor's facsimile signature, shall be signed by the State Treasurer or shall bear the State Treasurer's facsimile signature, and shall bear the Great Seal of the State of North Carolina or a facsimile of the Seal shall be impressed or imprinted thereon. If bonds or notes bear the facsimile signatures of the Governor and the State Treasurer, the bonds or notes shall also bear a manual signature that may be that of a bond registrar, trustee, paying agent, or designated assistant of the State Treasurer. Should any officer whose signature or facsimile signature appears on bonds or notes cease to be such officer before the delivery of the bonds or notes, the signature or facsimile signature shall nevertheless have the same validity for all purposes as if the officer had remained in office until delivery. Bonds or notes may bear the facsimile signatures of persons, who at the actual time of the execution of the bonds or notes shall be the proper officers to sign any bond or note, although at the date of the bond or note such persons may not have been such officers. The form and denomination of bonds or notes, including the provisions with respect to registration of the bonds or notes and any system for their registration, shall be as the State Treasurer may determine in conformity with this section.

(3) Manner of sale; expenses. – Subject to the approval by the Council of State as to the manner in which bonds or notes shall be offered for sale, whether at public or private sale, whether within or without the United States, and whether by publishing notices in certain newspapers and financial journals, mailing notices, inviting bids by correspondence, negotiating contracts of purchase, or otherwise, the State Treasurer is authorized to sell bonds or notes at one time or from time to time at any rates of interest, which may vary from time to time, and at any prices, including a price less than or greater than the face amount of the bonds or notes, as the State Treasurer may determine. All expenses incurred in the preparation, sale, and issuance of bonds or notes shall be paid by the State Treasurer from the proceeds of bonds or notes or other available monies.

(4) Notes; repayment. –

a. By and with the consent of the Council of State, the State Treasurer is hereby authorized to borrow money and to execute and issue notes of the State for the same, but only in the following circumstances and under the following conditions:

1. For anticipating the sale of bonds, the issuance of which the Council of State has approved, if the State Treasurer considers it advisable to postpone the issuance of the bonds;
2. For the payment of interest on or any installment of principal of any bonds then outstanding, if there are not sufficient funds in the State treasury with which to pay the interest or installment of principal as they respectively become due;
3. For the renewal of any loan evidenced by notes authorized in this section;
4. For the purposes authorized in this section; and
5. For refunding bonds or notes as authorized in this section.

b. Funds derived from the sale of bonds or notes may be used in the payment of any bond anticipation notes issued under this section. Funds provided by the General Assembly for the payment of interest on or principal of bonds shall be used in paying the interest on or principal of any notes and any renewals thereof, the proceeds of which shall have been used in paying interest on or principal of the bonds.

(5) Refunding bonds and notes. – By and with the consent of the Council of State, the State Treasurer is authorized to issue and sell refunding bonds and notes pursuant to the provisions of the State Refunding Bond Act for the purpose of refunding bonds or notes issued pursuant to this section. The refunding bonds and notes may be combined with any other issues of State bonds and notes similarly secured. Refunding bonds or notes may be issued at any time prior to the final maturity of the debt obligation to be refunded. The proceeds from the sale of any refunding bonds or notes shall be applied to the immediate payment and retirement of the bonds or notes being refunded or, if not required for the immediate payment of the bonds or notes being refunded, the proceeds shall be deposited in trust to provide for the payment and retirement of the bonds or notes being refunded and to pay any expenses incurred in connection with the refunding. Money in a trust fund may be invested in (i) direct obligations of the United States government, (ii) obligations the principal of and interest on which are guaranteed by the United States government, (iii) obligations of any agency or instrumentality of the United States government if the timely payment of principal and interest on the obligations is unconditionally guaranteed by the United States government, or (iv) certificates of deposit issued by a bank or trust company located in the State if the certificates are secured by a pledge of any of the obligations described in (i), (ii), or (iii) above having an aggregate market value, exclusive of accrued interest, equal at least to the principal amount of the certificates so secured. This section does not limit the duration of any deposit in trust for the retirement of bonds or notes being refunded but that have not matured and are not presently redeemable or, if presently redeemable, have not been called for redemption.

(6) Tax exemption. – Bonds and notes shall at all times be free from taxation by the State or any political subdivision or any of their agencies, excepting estate, inheritance, or gift taxes, income taxes on the gain from the transfer of bonds or notes, and franchise taxes. The interest on bonds or notes is not subject to taxation as income.

(7) Investment eligibility. – Bonds and notes are securities in which all of the following may invest, including capital in their control or belonging to them: public officers, agencies, and public bodies of the State and its political subdivisions, all insurance companies, trust companies, investment companies, banks, savings banks, savings and loan associations, credit unions, pension or retirement funds, other financial institutions engaged in business in the State, executors, administrators, trustees, and other fiduciaries. Bonds and notes are hereby made securities that may properly and legally be deposited with and received by any officer or agency of the State or political subdivision of the State for any purpose for which the deposit of bonds, notes, or obligations of the State or any political subdivision is now or may hereafter be authorized by law.

(8) Faith and credit. – The faith and credit and taxing power of the State are hereby pledged for the payment of the principal of and the interest on bonds and notes. The State expressly reserves the right to amend any provision of this section to the extent it does not impair any contractual right of a bond owner.

(9) Other agreements. – The State Treasurer may authorize, execute, obtain, or otherwise provide for bond insurance, investment contracts, credit and liquidity facilities, interest-rate swap agreements and other derivative products, and any other related instruments and matters the State Treasurer determines are desirable in connection with issuance, incurrence, carrying, or securing of bonds or notes. The State Treasurer is authorized to employ and designate any financial consultants, underwriters, and bond attorneys to be associated with any bond or note issue under this section as the State Treasurer considers necessary.

SECTION 31.12.(h) Variable Rate Demand Bonds and Notes. – In fixing the details of bonds and notes, the State Treasurer may provide that any of the bonds or notes may:

- (1) Be made payable from time to time on demand or tender for purchase by the owner, if a credit facility supports the bonds or notes, unless the State Treasurer specifically determines that a credit facility is not required upon a finding and determination by the State Treasurer that the absence of a credit facility will not materially and adversely affect the financial position of the State and the marketing of the bonds or notes at a reasonable interest cost to the State;
- (2) Be additionally supported by a credit facility;
- (3) Be made subject to redemption or a mandatory tender for purchase prior to maturity;
- (4) Bear interest at a rate or rates that may vary for any period of time, as may be provided in the proceedings providing for the issuance of the bonds or notes, including, without limitation, such variations as may be permitted pursuant to a par formula; and
- (5) Be made the subject of a remarketing agreement whereby an attempt is made to remarket bonds or notes to new purchasers prior to their presentment for payment to the provider of the credit facility or to the State.

If the aggregate principal amount payable by the State under a credit facility is in excess of the aggregate principal amount of bonds or notes secured by the credit facility, whether as a result of the inclusion in the credit facility of a provision for the payment of interest for a limited period of time or the payment of a redemption premium or for any other reason, then the amount of authorized but unissued bonds or notes during the term of such credit facility shall not be less than the amount of such excess, unless the payment of such excess is otherwise provided for by agreement of the State executed by the State Treasurer.

SECTION 31.12.(i) Interpretation of Section. –

- (1) Additional method. – The foregoing subsections of this section shall be deemed to provide an additional and alternative method for the doing of the things authorized under it and shall be regarded as supplemental and additional to powers conferred by other laws and shall not be regarded as in derogation of any powers now existing.
- (2) Statutory references. – References in this section to specific sections or Chapters of the General Statutes or to specific acts are intended to be references to such sections, Chapters, or acts as they may be amended from time to time by the General Assembly.

(3) Broad construction. – This section, being necessary for the health and welfare of the people of the State, shall be broadly construed to affect the purposes thereof.

(4) Inconsistent provisions. – Insofar as the provisions of this section are inconsistent with the provisions of any general, special, or local laws, or parts thereof, the provisions of this section shall be controlling.

(5) Severability. – If any provision of this section or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the section that can be given effect without the invalid provision or application, and to this end the provisions of this section are declared to be severable.

SECTION 31.12.(j) The State, upon the direction of the Director of the Budget, and subject to the limitations set forth in subsection (d) of this section, may finance with the proceeds of special indebtedness the capital facility costs of a project set forth in subsection (f) of this section and approved for financing with proceeds of bonds authorized pursuant to this section. If the financing is to be provided by special indebtedness, then such indebtedness may be issued or incurred before the enactment of this act or during or beyond the fiscal biennium ending June 30, 2017. The total amount of financing for a project from special indebtedness and the proceeds of two-thirds bonds issued pursuant to this section shall not exceed the applicable amount set forth in subsection (f) of this section.

SECTION 31.12.(k) This section is effective when this act becomes law.

DEBT AFFORDABILITY STUDY FOR THE UNIVERSITY OF NORTH CAROLINA

SECTION 31.13. Chapter 116D of the General Statutes is amended by adding a new Article to read:

"Article 5.

"Managing Debt Capacity.

"§ 116D-55. Purpose.

The purpose of this Article is to provide tools for sound debt management at The University of North Carolina by requiring each constituent institution to conduct an annual debt affordability study, by requiring the establishment of guidelines for maintaining prudent debt levels, and by establishing a system for prioritizing University capital needs when the needs exceed the University's capacity for new debt.

"§ 116D-56. Debt affordability study required.

(a) Study Required. – The Board of Governors shall annually advise the Governor and the General Assembly on the estimated debt capacity of The University of North Carolina for the upcoming five fiscal years. The Board shall oversee the undertaking of an annual debt affordability study and the establishment of guidelines for evaluating the University's debt burden. The guidelines should include target and ceiling ratios of debt to obligated resources and target and floor percentages for the five-year payout ratio. The Board shall also recommend any other debt management policies it considers desirable and consistent with sound management of the University's debt.

(b) Board of Governors Reporting Required. – The Board shall report its findings and recommendations to the Office of State Budget and Management, the Joint Legislative Commission on Governmental Operations, the State Treasurer, and The University of North Carolina General Administration by February 1 of each year. The report shall be accompanied by each of the reports provided to the Board pursuant to subsection (c) of this section.

(c) Constituent Institution Reporting Required. – No later than November 1 of each year, each constituent institution shall report to the Board of Governors on its current and anticipated debt levels. The report shall be made in a uniform format to be prescribed by the Board of Governors. Each report shall include at least the following:

- (1) The amount and type of outstanding debt of the institution.
- (2) The sources of repayment of the debt.
- (3) The amount of debt that the institution plans to issue or incur during the next five years.
- (4) A description of projects financed with the debt.
- (5) The current bond rating of the institution and information about any changes to that bond rating since the last report was submitted.
- (6) Information about the constituent institution's debt management policies and any recommendations for methods to maintain or improve the University's bond rating.
- (7) Debt burden comparisons to comparable peer institutions.
- (8) Any other information requested by the Board of Governors.
- (d) Definitions. – The following definitions apply in this section:
 - (1) Debt. – Debt incurred under this Chapter or any other debt that will be serviced with funds available to the institutions from gifts, grants, receipts, Medicare reimbursements for education costs, hospital receipts from patient care, or other funds, or any combination of these funds, but not including debt that will be serviced with funds appropriated from the General Fund of the State.
 - (2) Obligated resources. – As defined in G.S. 116D-22."

AUTHORIZE STATE AGENCIES TO UNDERTAKE SMALL REPAIRS AND RENOVATIONS PROJECTS WITH FUNDS AVAILABLE

SECTION 31.14.(a) Notwithstanding G.S. 143C-8-7, a State agency may undertake repairs and renovations projects so long as each project satisfies the following requirements:

- (1) Total project costs do not exceed three hundred thousand dollars (\$300,000).
- (2) The project satisfies the requirements of G.S. 143C-4-3(b).
- (3) The project is paid for with funds available to the agency.

SECTION 31.14.(b) Projects undertaken pursuant to this section shall be reported to the Fiscal Research Division on a quarterly basis. A report under this subsection shall include information about all of the following for each project:

- (1) The facility at which the project is being undertaken.
- (2) The nature and scope of the project.
- (3) The source of funds for the project.
- (4) The category of projects set forth in G.S. 143C-4-3(b) that the project falls within.

ADVANCE PLANNING/NEW SCHOOL OF SCIENCE AND MATHEMATICS

SECTION 31.15.(a) Having considered the study conducted by the Board of Governors, the North Carolina School of Science and Mathematics and the Department of Public Instruction on the feasibility for a western campus of the North Carolina School of Science and Mathematics (School of Science and Math), the General Assembly finds that a western School of Science and Math located on the campus of the North Carolina School for the Deaf, vacated Broughton Hospital, or other State property adjacent to one of those tracts shall be established. The General Assembly further finds that the establishment of a western School of Science and Math at that location would be beneficial to the economic growth and workforce preparedness in western North Carolina and would extend the opportunity for the unique study experience provided by the School of Science and Math to a significant number of additional students with excellent academic records.

1 **SECTION 31.15.(b)** No later than June 30, 2016, the Board of Governors shall do
2 the following:

- 3 (1) Determine the most appropriate location on any of the State property that is
4 described in subsection (a) of this section, including the repurposing of
5 property.
- 6 (2) Begin advanced planning for the facility.

7 **SECTION 31.15.(c)** The School of Science and Math shall consider opportunities
8 to share services (such as maintenance) that may be available with any other State entity that is
9 on, adjacent to, or near the property.

10 **SECTION 31.15.(d)** The General Assembly authorizes advance planning of the
11 western School of Science and Math to be funded at a maximum cost of two million four
12 hundred thousand dollars (\$2,400,000) in accordance with this section. The sum of one million
13 six hundred thousand dollars (\$1,600,000) allocated for this purpose in Section 31.2(a) of this
14 act shall be used for this purpose. The remainder shall be funded by a non-State entity or
15 combination of non-State entities.

16 **SECTION 31.15.(e)** The Board of Governors and the School of Science and Math
17 shall report to the Joint Legislative Education Oversight Committee regarding the progress on
18 site selection and advanced planning for the western School of Science and Math by January
19 30, 2016.

20 21 **CREATE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON CAPITAL** 22 **IMPROVEMENTS**

23 **SECTION 31.16.(a)** Article 29 of Chapter 120 of the General Statutes is amended
24 by adding three new sections to read:

25 **"§ 120-261. Creation and membership of Joint Legislative Oversight Committee on** 26 **Capital Improvements.**

27 The Joint Legislative Oversight Committee on Capital Improvements is established. The
28 Committee consists of 16 members as follows:

- 29 (1) Eight members of the House of Representatives appointed by the Speaker of
30 the House of Representatives.
- 31 (2) Eight members of the Senate appointed by the President Pro Tempore of the
32 Senate.

33 Terms on the Committee are for two years and begin on the convening of the General
34 Assembly in each odd-numbered year, except the terms of the initial members, which begin on
35 appointment and end on the day of the convening of the 2017 General Assembly. Members
36 may complete a term of service on the Committee even if they do not seek reelection or are not
37 reelected to the General Assembly, but resignation or removal from service in the General
38 Assembly constitutes resignation or removal from service on the Committee.

39 A member continues to serve until the member's successor is appointed. A vacancy shall be
40 filled within 30 days by the officer who made the original appointment.

41 **"§ 120-262. Purpose and powers of the Committee.**

42 (a) The Joint Legislative Oversight Committee on Capital Improvements shall have the
43 power to do all of the following:

- 44 (1) Examine, on a continuing basis, capital improvements requested by,
45 authorized for, and undertaken by or on behalf of State agencies.
- 46 (2) Have oversight over implementation of the six-year capital improvements
47 plan developed pursuant to G.S. 143C-8-5.
- 48 (3) Make recommendations to the General Assembly on ways to improve the
49 planning, financing, design, construction, and maintenance of State capital
50 improvements.

- (4) Make reports and recommendations to the General Assembly regarding which capital improvements requested by State agencies should be authorized and how they should be funded.
- (5) Examine any other topic the Committee believes to be related to its purpose.
- (b) As used in this section, the term "capital improvement" shall have the same meaning as in G.S. 143C-1-1.

"§ 120-263. Organization of Committee.

(a) The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a cochair of the Joint Legislative Oversight Committee on Capital Improvements. The Committee shall meet upon the call of the cochairs.

(b) A quorum of the Committee is nine members. No action may be taken except by a majority vote at a meeting at which a quorum is present. While in the discharge of its official duties, the Committee has the powers of a joint committee under G.S. 120-19 through G.S. 120-19.4.

(c) Members of the Committee receive subsistence and travel expenses as provided in G.S. 120-3.1. The Committee may contract for consultants or hire employees in accordance with G.S. 120-32.02. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. Upon the direction of the Legislative Services Commission, the Supervisors of Clerks of the Senate and of the House of Representatives shall assign clerical staff to the Committee. The expenses for clerical employees shall be borne by the Committee.

(d) The cochairs of the Committee may call upon other knowledgeable persons or experts to assist the Committee in its work."

SECTION 31.16.(b) G.S. 120-76(9) is repealed.

PART XXXII. FINANCE PROVISIONS

EXTEND RESEARCH AND DEVELOPMENT TAX CREDIT FOR FOUR YEARS

SECTION 32.1.(a) G.S. 105-129.51(b) reads as rewritten:

"(b) This Article is repealed for taxable years beginning on or after ~~January 1,~~
2016.January 1, 2020."

SECTION 32.1.(b) G.S. 105-129.50(6) reads as rewritten:

"(6) Qualified North Carolina research expenses. – Qualified research expenses, ~~other than including~~ North Carolina university research expenses, for research performed in this State."

SECTION 32.1.(c) This section is effective when this act becomes law.

EXTEND RENEWABLE ENERGY CREDIT FOR TWO YEARS FOR SOLAR PROJECTS AND FOR FOUR YEARS FOR ALL OTHER PROJECTS

SECTION 32.2.(a) G.S. 105-129.16A(e), as amended by Section 1 of S.L. 2015-11, reads as rewritten:

"§ 105-129.16A. Credit for investing in renewable energy property.

...

(e) Sunset. – Except for taxpayers covered by subsection (f) of this section, this section is repealed effective for renewable energy property placed into service on or after ~~January 1,~~
2016.January 1, 2020."

SECTION 32.2.(b) G.S. 105-129.15 reads as rewritten:

"§ 105-129.15. Definitions.

The following definitions apply in this Article:

...

- (7) Renewable energy property. – Any of the following machinery and equipment or real property:
- a. Biomass equipment that uses renewable biomass resources for biofuel production of ethanol, methanol, and biodiesel; anaerobic biogas production of methane utilizing agricultural and animal waste or garbage; or commercial thermal or electrical generation. The term also includes related devices for converting, conditioning, and storing the liquid fuels, gas, and electricity produced with biomass equipment.
 - b. Combined heat and power system property. – Defined in section 48 of the Code.
 - c. Geothermal equipment that meets either of the following descriptions:
 - 1. It is a heat pump that uses the ground or groundwater as a thermal energy source to heat a structure or as a thermal energy sink to cool a structure.
 - 2. It uses the internal heat of the earth as a substitute for traditional energy for water heating or active space heating or cooling.
 - d. Hydroelectric generators located at existing dams or in free-flowing waterways, and related devices for water supply and control, and converting, conditioning, and storing the electricity generated.
 - e. ~~Solar energy equipment that uses solar radiation as a substitute for traditional energy for water heating, active space heating and cooling, passive heating, daylighting, generating electricity, distillation, desalination, detoxification, or the production of industrial or commercial process heat. The term also includes related devices necessary for collecting, storing, exchanging, conditioning, or converting solar energy to other useful forms of energy.~~
 - f. Wind equipment required to capture and convert wind energy into electricity or mechanical power, and related devices for converting, conditioning, and storing the electricity produced or relaying the electricity by cable from the turbine motor to the power grid.

...."

SECTION 32.2.(c) G.S. 105-129.16A(c)(2) reads as rewritten:

- "(2) Nonbusiness. – The following ceilings apply to renewable energy property placed in service for a nonbusiness purpose:
- a. ~~One thousand four hundred dollars (\$1,400) per dwelling unit for solar energy equipment for domestic water heating, including pool heating.~~
 - b. Three thousand five hundred dollars (\$3,500) per dwelling unit for solar energy equipment for active space heating, combined active space and domestic hot water systems, and passive space heating.
 - c. Eight thousand four hundred dollars (\$8,400) for each installation of geothermal equipment.
 - d. Ten thousand five hundred dollars (\$10,500) for each installation of any other renewable energy property."

SECTION 32.2.(d) Subsections (b) and (c) of this section become effective January 1, 2018, and apply to renewable energy property placed into service on or after that date. The remainder of this section is effective when this act becomes law.

HISTORIC PRESERVATION TAX CREDIT

SECTION 32.3.(a) Chapter 105 of the General Statutes is amended by adding a new Article to read:

"Article 3L."Historic Rehabilitation Tax Credits Investment Program.**"§ 105-129.100. Credit for rehabilitating income-producing historic structure.**

(a) Credit. – A taxpayer who is allowed a federal income tax credit under section 47 of the Code for making qualified rehabilitation expenditures for a certified historic structure located in this State is allowed a credit equal to the sum of the following:

- (1) Base amount. – The percentage of qualified rehabilitation expenditures at the levels provided in the table below:

Expenses**Over****Up To****Rate**0\$10 million15.00%\$10 million\$20 million10.00%

- (2) Development tier bonus. – An amount equal to five percent (5%) of qualified rehabilitation expenditures not exceeding twenty million dollars (\$20,000,000) if the certified historic structure is located in a development tier one or two area.

- (3) Targeted investment bonus. – An amount equal to five percent (5%) of qualified rehabilitation expenditures not exceeding twenty million dollars (\$20,000,000) if the certified historic structure is located on an eligible targeted investment site.

(b) Pass-Through Entity. – Notwithstanding the provisions of G.S. 105-131.8 and G.S. 105-269.15, a pass-through entity that qualifies for the credit provided in this section may allocate the credit among any of its owners in its discretion as long as an owner's adjusted basis in the pass-through entity, as determined under the Code, at the end of the taxable year in which the certified historic structure is placed in service, is at least forty percent (40%) of the amount of credit allocated to that owner. Owners to whom a credit is allocated are allowed the credit as if they had qualified for the credit directly. A pass-through entity and its owners must include with their tax returns for every taxable year in which an allocated credit is claimed a statement of the allocation made by the pass-through entity and the allocation that would have been required under G.S. 105-131.8 or G.S. 105-269.15.

- (c) Definitions. – The following definitions apply in this section:

- (1) Certified historic structure. – Defined in section 47 of the Code.
- (2) Development tier area. – Defined in G.S. 143B-437.08.
- (3) Eligibility certification. – A certification obtained from the State Historic Preservation Officer that the site comprises an eligible targeted investment site.
- (4) Eligible targeted investment site. – A site located in this State that satisfies all of the following conditions:
- a. It was used as a manufacturing facility or for purposes ancillary to manufacturing, as a warehouse for selling agricultural products, or as a public or private utility.
- b. It is a certified historic structure.
- c. It has been at least sixty-five percent (65%) vacant for a period of at least two years immediately preceding the date the eligibility certification is made.
- (5) Pass-through entity. – Defined in G.S. 105-228.90.
- (6) Qualified rehabilitation expenditures. – Defined in section 47 of the Code.

(7) State Historic Preservation Officer. – The Deputy Secretary of the Office of Archives and History of the North Carolina Department of Cultural Resources, or the Deputy Secretary's designee, who acts to administer the historic preservation programs within the State.

(8) Targeted investment. – Qualified rehabilitation expenditures on a certified historic structure that is located on an eligible targeted investment site.

(d) Limitations. – The amount of credit allowed under this section with respect to qualified rehabilitation expenditures for an income-producing certified historic structure may not exceed four million five hundred thousand dollars (\$4,500,000).

"§ 105-129.101. Credit for rehabilitating non-income-producing historic structure.

(a) Credit. – A taxpayer who is not allowed a federal income tax credit under section 47 of the Code and who has rehabilitation expenses of at least ten thousand dollars (\$10,000) for a State-certified historic structure located in this State is allowed a credit equal to fifteen percent (15%) of the rehabilitation expenses.

(b) Limitations. – The amount of credit allowed under this section with respect to rehabilitation expenses for a non-income-producing certified historic structure may not exceed twenty-two thousand five hundred dollars (\$22,500) per discrete property parcel. In the event that the taxpayer is the transferee of a State-certified historic structure for which rehabilitation expenses were made, the taxpayer as transferee is allowed a credit under this section only if the transfer takes place before the structure is placed in service. In this event, no other taxpayer may claim such credit. A taxpayer is allowed to claim a credit under this section no more than once in any five-year period, carryovers notwithstanding.

(c) Definitions. – The following definitions apply in this section:

(1) Certified rehabilitation. – Repairs or alterations consistent with the Secretary of the Interior's Standards for Rehabilitation and certified as such by the State Historic Preservation Officer.

(2) Discrete property parcel. – A lot or tract described by metes and bounds, a deed or plat of which has been recorded in the deed records of the county in which the property is located, and on which a State-certified historic structure is located, or a single condominium unit in a State-certified historic structure.

(3) Placed in service. – The later of the date on which the rehabilitation is completed or the date on which the property is used for its intended purpose.

(4) Rehabilitation expenses. – Expenses incurred in the certified rehabilitation of a certified historic structure and added to the property's basis. The expenses must be incurred within any 24-month period per discrete property parcel. The term does not include the cost of acquiring the property, the cost attributable to the enlargement of an existing building, the cost of site work expenditures, or the cost of personal property.

(5) State-certified historic structure. – A structure that is individually listed in the National Register of Historic Places or is certified by the State Historic Preservation Officer as contributing to the historic significance of a National Register Historic District or a locally designated historic district certified by the United States Department of the Interior.

(6) State Historic Preservation Officer. – Defined in G.S. 105-129.100(c)(7).

"§ 105-129.102. Rules; fees.

(a) Rules. – The North Carolina Historical Commission, in consultation with the State Historic Preservation Officer, may adopt rules needed to administer any certification process required by this Article.

(b) Fees. – The North Carolina Historical Commission, in consultation with the State Historic Preservation Officer, may adopt a schedule of fees for providing any certifications

1 required by this Article, or Article 3D or 3H as they provided as of December 31, 2014. In
2 establishing the fee schedule, the Commission shall consider the administrative and personnel
3 costs incurred by the Department of Cultural Resources. An application fee may not exceed one
4 percent (1%) of the completed qualifying rehabilitation expenditures. The proceeds of the fees
5 are receipts of the Department of Cultural Resources and must be used for performing its duties
6 under this Article.

7 **"§ 105-129.103. Tax credited; credit limitations.**

8 (a) Tax Credited. – The credits provided in this Article are allowed against the franchise
9 tax imposed in Article 3 of this Chapter, the income taxes levied in Article 4 of this Chapter, or
10 the gross premiums tax imposed in Article 8B of this Chapter. The taxpayer may take a credit
11 allowed by this Article against only one of the taxes against which it is allowed. The taxpayer
12 must elect the tax against which a credit will be claimed when filing the return on which it is
13 claimed, and this election is binding. Any carryforwards of a credit must be claimed against the
14 same tax.

15 (b) Return. – A taxpayer may claim a credit allowed by this Article on a return filed for
16 the taxable year in which the certified historic structure was placed into service. When an
17 income-producing certified historic structure as defined in G.S. 105-129.100 is placed into
18 service in two or more phases in different years, the amount of credit that may be claimed in a
19 year is the amount based on the qualified rehabilitation expenditures associated with the phase
20 placed into service during that year.

21 (c) Cap. – A credit allowed under this Article may not exceed the amount of the tax
22 against which it is claimed for the taxable year reduced by the sum of all credits allowed,
23 except payments of tax made by or on behalf of the taxpayer. Any unused portion of the credit
24 may be carried forward for the succeeding nine years.

25 (d) Forfeiture for Disposition. – A taxpayer who is required under section 50 of the
26 Code to recapture all or part of the federal credit for rehabilitating an income-producing historic
27 structure located in this State forfeits the corresponding part of the State credit allowed under
28 G.S. 105-129.100 with respect to that historic structure. If the credit was allocated among the
29 owners of a pass-through entity, the forfeiture applies to the owners in the same proportion that
30 the credit was allocated.

31 (e) Forfeiture for Change in Ownership. – If an owner of a pass-through entity that has
32 qualified for the credit allowed under G.S. 105-129.100 disposes of all or a portion of the
33 owner's interest in the pass-through entity within five years from the date the rehabilitated
34 historic structure is placed in service and the owner's interest in the pass-through entity is
35 reduced to less than two-thirds of the owner's interest in the pass-through entity at the time the
36 historic structure was placed in service, the owner forfeits a portion of the credit. The amount
37 forfeited is determined by multiplying the amount of credit by the percentage reduction in
38 ownership and then multiplying that product by the forfeiture percentage. The forfeiture
39 percentage equals the recapture percentage found in the table in section 50(a)(1)(B) of the
40 Code.

41 (f) Exceptions to Forfeiture. – Forfeiture as provided in subsection (e) of this section is
42 not required if the change in ownership is the result of any of the following:

43 (1) The death of the owner.

44 (2) A merger, consolidation, or similar transaction requiring approval by the
45 shareholders, partners, or members of the taxpayer under applicable State
46 law, to the extent the taxpayer does not receive cash or tangible property in
47 the merger, consolidation, or other similar transaction.

48 (g) Liability From Forfeiture. – A taxpayer or an owner of a pass-through entity that
49 forfeits a credit under this section is liable for all past taxes avoided as a result of the credit plus
50 interest at the rate established under G.S. 105-241.21, computed from the date the taxes would
51 have been due if the credit had not been allowed. The past taxes and interest are due 30 days

after the date the credit is forfeited. A taxpayer or owner of a pass-through entity that fails to pay the taxes and interest by the due date is subject to the penalties provided in G.S. 105-236.

(h) Substantiation. – To claim a credit allowed by this Article, the taxpayer must provide any information required by the Secretary of Revenue, including a copy of the certification obtained from the State Historic Preservation Office verifying that the historic structure has been rehabilitated in accordance with the requirements set out in this Article, and a copy of the eligibility certification if the historic structure is located in an eligible targeted investment site and the target investment bonus is claimed. Every taxpayer claiming a credit under this Article must maintain and make available for inspection by the Secretary of Revenue any records the Secretary considers necessary to determine and verify the amount of the credit to which the taxpayer is entitled. The burden of proving eligibility for the credit and the amount of the credit rests upon the taxpayer, and no credit may be allowed to a taxpayer that fails to maintain adequate records or to make them available for inspection.

(i) No Double Credit. – A taxpayer that claims a credit under this Article may not also claim a credit under Article 3D or Article 3H of this Chapter with respect to the same activity.

"§ 105-129.104. Report; tracking.

(a) The Department must include in the economic incentives report required by G.S. 105-256 the following information itemized by taxpayer:

(1) The number of taxpayers that took the credits allowed in this Article.

(2) The amount of rehabilitation expenses and qualified rehabilitation expenditures with respect to which credits were taken.

(3) The total cost to the General Fund of the credits taken.

(b) The Department shall include in the economic incentives report required by G.S. 105-256 the following information:

(1) The total amount of tax credits claimed and the total amount of tax credits taken against current taxes, by type of tax, during the relevant tax year.

(2) The total amount of tax credits carried forward, by type of tax.

"§ 105-129.105. Sunset.

This Article expires for qualified rehabilitation expenditures and rehabilitation expenses incurred on or after January 1, 2021."

SECTION 32.3.(b) G.S. 105-129.75 reads as rewritten:

"§ 105-129.75. Sunset.

This Article expires January 1, 2015, for rehabilitation projects for which an application for an eligibility certification is submitted on or after that date. Eligibility certifications under this Article expire January 1, 2023."

SECTION 32.3.(c) Subsection (a) of this section becomes effective January 1, 2015, and applies to qualified rehabilitation expenditures and rehabilitation expenses incurred on or after that date. The remainder of the section is effective when this act becomes law.

SENIOR TAX DEDUCTION FOR MEDICAL EXPENSES

SECTION 32.4.(a) G.S. 105-153.5(a) reads as rewritten:

"§ 105-153.5. Modifications to adjusted gross income.

(a) Deduction Amount. – In calculating North Carolina taxable income, a taxpayer may deduct from adjusted gross income either the standard deduction amount provided in subdivision (1) of this subsection or the itemized deduction amount provided in subdivision (2) of this subsection that the taxpayer claimed under the Code. The deduction amounts are as follows:

(1) Standard deduction amount. – The standard deduction amount is zero for a person who is not eligible for a standard deduction under section 63 of the Code. For all other taxpayers, the standard deduction amount is equal to the amount listed in the table below based on the taxpayer's filing status:

Filing Status	Standard Deduction
---------------	--------------------

Married, filing jointly	\$15,000
Head of Household	12,000
Single	7,500
Married, filing separately	7,500.

(2) Itemized deduction amount. – An amount equal to the sum of the items listed in this subdivision. The amounts allowed under this subdivision are not subject to the overall limitation on itemized deductions under section 68 of the Code:

a. Charitable contribution deduction amount. – The amount allowed as a deduction for charitable contributions under section 170 of the Code for that taxable year.

b. Mortgages expenses and property taxes. – The amount allowed as a deduction for interest paid or accrued during the taxable year under section 163(h) of the Code with respect to any qualified residence plus the amount claimed by the taxpayer as a deduction for property taxes paid or accrued on real estate under section 164 of the Code for that taxable year. The amount allowed under this sub-subdivision may not exceed twenty thousand dollars (\$20,000). For spouses filing as married filing separately or married filing jointly, the total mortgage interest and real estate taxes claimed by both spouses combined may not exceed twenty thousand dollars (\$20,000). For spouses filing as married filing separately with a joint obligation for mortgage interest and real estate taxes, the deduction for these items is allowable to the spouse who actually paid them. If the amount of the mortgage interest and real estate taxes paid by both spouses exceeds twenty thousand dollars (\$20,000), these deductions must be prorated based on the percentage paid by each spouse. For joint obligations paid from joint accounts, the proration is based on the income reported by each spouse for that taxable year.

c. Medical expenses. – The amount allowed as a deduction for medical expenses under section 213 of the Code for that taxable year."

SECTION 32.4.(b) This section is effective for taxable years beginning on or after January 1, 2015.

EXTEND SALES TAX PREFERENCES FOR MOTORSPORTS FOR FOUR YEARS

SECTION 32.2A.(a) G.S. 105-164.4I(b)(3) reads as rewritten:

"(b) Exemptions. – The tax imposed by this section does not apply to the sales price of or the gross receipts derived from a service contract applicable to any of the following items:

...

(3) An item purchased by a professional motorsports racing team or a related member of a team for which the team may receive a sales tax refund under G.S. 105-164.14A(5).

...."

SECTION 32.2A.(b) This section is effective when it becomes law and applies to service contracts purchased on or after January 1, 2014.

SECTION 32.2B.(a) G.S. 105-164.14A(a) reads as rewritten:

"(a) Refund. – The following taxpayers are allowed an annual refund of sales and use taxes paid under this Article:

...

- (4) Motorsports team or sanctioning body. – A professional motorsports racing team, a motorsports sanctioning body, or a related member of such a team or body is allowed a refund of the sales and use tax paid by it in this State on aviation fuel that is used to travel to or from a motorsports event in this State, to travel to a motorsports event in another state from a location in this State, or to travel to this State from a motorsports event in another state. For purposes of this subdivision, a "motorsports event" includes a motorsports race, a motorsports sponsor event, and motorsports testing. This subdivision is repealed for purchases made on or after ~~January 1, 2016~~ January 1, 2020.
- (5) Professional motorsports team. – A professional motorsports racing team or a related member of a team is allowed a refund of fifty percent (50%) of the sales and use tax paid by it in this State on tangible personal property, other than tires or accessories, that comprises any part of a professional motorsports vehicle. For purposes of this subdivision, "motorsports accessories" includes instrumentation, telemetry, consumables, and paint. This subdivision is repealed for purchases made on or after ~~January 1, 2016~~ January 1, 2020.

...."

SECTION 32.2B.(b) This section is effective when this act becomes law.

EXTEND SALES TAX REFUND FOR PASSENGER AIR CARRIERS FOR FOUR YEARS

SECTION 32.6.(a) G.S. 105-164.14A(a)(1) reads as rewritten:

"(a) Refund. – The following taxpayers are allowed an annual refund of sales and use taxes paid under this Article:

- (1) Passenger air carrier. – An interstate passenger air carrier is allowed a refund of the sales and use tax paid by it on fuel in excess of two million five hundred thousand dollars (\$2,500,000). The amount of sales and use tax paid does not include a refund allowed to the interstate passenger air carrier under G.S. 105-164.14(a). This subdivision is repealed for purchases made on or after January 1, ~~2016~~ 2020."

SECTION 32.6.(b) This section is effective when this act becomes law.

DATA CENTER INFRASTRUCTURE

SECTION 32.7.(a) G.S. 105-164.3 reads as rewritten:

"§ 105-164.3. Definitions.

The following definitions apply in this Article:

...

- (33) Purchase price. – The term has the same meaning as the term "sales price" when applied to an item subject to use tax.
- (33a) Qualifying data center. – A data center that satisfies each of the following conditions:
- a. The data center meets the wage standard and health insurance requirements of G.S. 143B-437.08A.
- b. The Secretary of Commerce has made a written determination that at least seventy-five million dollars (\$75,000,000) in private funds has been or will be invested by one or more owners, users, or tenants of the data center within five years of the date the owner, user, or tenant of the data center makes its first real or tangible property investment in the data center on or after January 1, 2012. Investments in real or

tangible property in the data center made prior to January 1, 2012,
may not be included in the investment required by this subdivision.

(33b) Real property contractor. – A person that contracts to perform construction, reconstruction, installation, repair, or any other service with respect to real property and to furnish tangible personal property to be installed or applied to real property in connection with the contract and the labor to install or apply the tangible personal property that becomes part of real property. The term includes a general contractor, a subcontractor, or a builder for purposes of G.S. 105-164.4H.

~~(33b)~~(33c) Related member. – Defined in G.S. 105-130.7A.

~~(33e)~~(33d) Remote sale. – A sale of tangible personal property or digital property ordered by mail, by telephone, via the Internet, or by another similar method, to a purchaser who is in this State at the time the order is remitted, from a retailer who receives the order in another state and delivers the property or causes it to be delivered to a person in this State. It is presumed that a resident of this State who remits an order was in this State at the time the order was remitted.

...."

SECTION 32.7.(b) G.S. 105-164.13 is amended by adding a new subdivision to

read:

"(55a) Sales of electricity for use at a qualifying data center and data center support equipment to be located and used at the qualifying data center. As used in this subdivision, "data center support equipment" is property that is capitalized for tax purposes under the Code and is used for any of the following purposes:

- a. For the provision of a service or function included in the business of an owner, user, or tenant of the data center.
- b. For the generation, transformation, transmission, distribution, or management of electricity, including exterior substations, generators, transformers, unit substations, uninterruptible power supply systems, batteries, power distribution units, remote power panels, and other capital equipment used for these purposes.
- c. For HVAC and mechanical systems, including chillers, cooling towers, air handlers, pumps, and other capital equipment used for these purposes.
- d. For hardware and software for distributed and mainframe computers and servers, data storage devices, network connectivity equipment, and peripheral components and equipment.
- e. To provide related computer engineering or computer science research.

If the level of investment required by G.S. 105-164.3(33a) is not timely made, the exemption provided under this subdivision is forfeited. If the level of investment required by G.S. 105-164.3(33a) is timely made but any specific data center support equipment is not located and used at the qualifying data center, the exemption provided for such data center support equipment under this subdivision is forfeited. If the level of investment required by G.S. 105-164.3(33a) is timely made but any portion of electricity is not used at the qualifying data center, the exemption provided for such electricity under this subdivision is forfeited. A taxpayer that forfeits an exemption under this subdivision is liable for all past taxes avoided as a result of the forfeited exemption, computed from the date the taxes would

have been due if the exemption had not been allowed, plus interest at the rate established under G.S. 105-241.21. If the forfeiture is triggered due to the lack of a timely investment required by G.S. 105-164.3(33a), interest is computed from the date the taxes would have been due if the exemption had not been allowed. For all other forfeitures, interest is computed from the time as of which the data center support equipment or electricity was put to a disqualifying use. The past taxes and interest are due 30 days after the date the exemption is forfeited. A taxpayer that fails to pay the past taxes and interest by the due date is subject to the provisions of G.S. 105-236."

SECTION 32.7.(c) This section becomes effective July 1, 2015, and applies to sales made on or after that date.

EXEMPT SERVICE CONTRACTS ON AIRCRAFT

SECTION 32.8.(a) G.S. 105-164.4I(b) reads as rewritten:

"(b) Exemptions. – The tax imposed by this section does not apply to the sales price of or the gross receipts derived from a service contract applicable to any of the following items:

- (1) An item exempt from tax under this Article, other than a motor vehicle exempt from tax under G.S. 105-164.13(32).
- (2) A transmission, distribution, or other network asset contained on utility-owned land, right-of-way, or easement.
- (3) An item purchased by a professional motorsports racing team for which the team may receive a sales tax refund under G.S. 105-164.14A(5).
- (4) An item subject to tax under Article 5F of Chapter 105 of the General Statutes.
- (5) A qualifying aircraft or qualifying jet engine if the service contract is sold by the manufacturer of the aircraft or jet engine or a related member of the manufacturer. A qualifying aircraft is an aircraft with a maximum take-off weight of more than 10,000 pounds but not in excess of 20,000 pounds; a qualifying jet engine is an engine certified pursuant to Part 33 of Title 14 of the Code of Federal Regulations.

SECTION 32.8.(b) This section becomes effective July 1, 2017, and applies to sales made on or after that date.

EXEMPT ADMISSION CHARGE TO CERTAIN AGRICULTURAL FAIRS FROM TAX

SECTION 32.10.(a) G.S. 105-164.4G(f) is amended by adding a new subdivision to read:

"(f) Exemptions. – The following gross receipts derived from an admission charge to an entertainment activity are specifically exempt from the tax imposed by this Article:

- ...
- (6) An agricultural fair if all of the following conditions are met:
 - a. The fair is operated solely by a nonprofit entity that is exempt from tax under Article 4 of this Chapter.
 - b. The fair meets the requirements of G.S. 106-520.1, as determined by the Commissioner of Agriculture.

SECTION 32.10.(b) This section becomes effective July 1, 2015, and applies to gross receipts derived on or after that date.

PART XXXIII. MISCELLANEOUS PROVISIONS

STATE BUDGET ACT APPLIES

1 **SECTION 33.1.** The provisions of the State Budget Act, Chapter 143C of the
2 General Statutes, are reenacted and shall remain in full force and effect and are incorporated in
3 this act by reference.
4

5 **COMMITTEE REPORT**

6 **SECTION 33.2.(a)** The N.C. House of Representatives Appropriations Committee
7 Report on the Base, Expansion and Capital Budgets for House Bill 97, dated May 19, 2015,
8 which was distributed in the House of Representatives and used to explain this act, shall
9 indicate action by the General Assembly on this act and shall, therefore, be used to construe
10 this act, as provided in the State Budget Act, Chapter 143C of the General Statutes, as
11 appropriate, and for these purposes shall be considered a part of this act and, as such, shall be
12 printed as a part of the Session Laws.

13 **SECTION 33.2.(b)** The budget enacted by the General Assembly is for the
14 maintenance of the various departments, institutions, and other spending agencies of the State
15 for the 2015-2017 biennial budget as provided in G.S. 143C-3-5. This budget includes the
16 appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

17 **SECTION 33.2.(c)** The budget enacted by the General Assembly shall also be
18 interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and other
19 appropriate legislation. In the event that there is a conflict between the line-item budget
20 certified by the Director of the Budget and the budget enacted by the General Assembly shall
21 prevail.
22

23 **REPORT BY FISCAL RESEARCH DIVISION**

24 **SECTION 33.3.** The Fiscal Research Division shall issue a report on budget
25 actions taken by the 2015 Regular Session of the General Assembly. The report shall be in the
26 form of a revision of the Committee Report adopted for House Bill 97 pursuant to
27 G.S. 143C-5-5. The Director of the Fiscal Research Division shall send a copy of the report
28 issued pursuant to this section to the Director of the Budget. The report shall be published on
29 the General Assembly's Internet Web site for public access.
30

31 **MOST TEXTAPPLIES TO THE 2015-2017 FISCAL BIENNIUM**

32 **SECTION 33.4.** Except for statutory changes or other provisions that clearly
33 indicate an intention to have effects beyond the 2015-2017 fiscal biennium, the textual
34 provisions of this act apply only to funds appropriated for, and activities occurring during, the
35 2015-2017 fiscal biennium.
36

37 **EFFECT OF HEADINGS**

38 **SECTION 33.5.** The headings to the Parts and sections of this act are a
39 convenience to the reader and are for reference only. The headings do not expand, limit, or
40 define the text of this act, except for effective dates referring to a Part.
41

42 **SEVERABILITY**

43 **SECTION 33.6.** If any section or provision of this act is declared unconstitutional
44 or invalid by the courts, it does not affect the validity of this act as a whole or any part other
45 than the part so declared to be unconstitutional or invalid.
46

47 **EFFECTIVE DATE**

48 **SECTION 33.7.** Except as otherwise provided, this act becomes effective July 1,
49 2015.



APPROPRIATIONS COMMITTEE
2015-2016 Session



CHAIRS

Representative Nelson Dollar
Representative Linda Johnson
Representative Donny Lambeth
Representative Chuck McGrady

COMMITTEE ASSISTANTS

Candace Slate
Joanna Hogg
Pan Briles
Laura Bone

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Appropriations** will meet as follows:

DAY & DATE: Thursday, June 11, 2015

TIME: 8:30 AM

LOCATION: 643 LOB

COMMENTS: HB 372 - 2015 Medicaid Modernization is anticipated to be heard as well.

The following bills will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 19	Waive Tuition/Fallen Officer Was Guardian.	Representative C. Graham
HB 119	PED Recs/Publicly Funded Substance Abuse Svcs.	Representative Horn Representative Hurley Representative Saine
HB 250	Healthy Food Small Retailer/Corner Store Act.	Representative Holley Representative Whitmire Representative B. Brown Representative Lambeth
HB 287	Amend Insurance Laws.-AB	Representative Setzer Representative Bumgardner

Respectfully,
Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 10:14 AM on Tuesday, June 09, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Candace Slate (Committee Assistant)



**House Committee on Appropriations
Thursday, June 11, 2015, 8:30 AM
643 Legislative Office Building**

AGENDA

WELCOME AND OPENING REMARKS

INTRODUCTION OF PAGES

AGENDA ITEMS

HB 19	Waive Tuition/Fallen Officer Was Guardian.	Representative C. Graham
HB 119	PED Recs/Publicly Funded Substance Abuse Svcs.	Representative Horn Representative Hurley Representative Saine
HB 250	Healthy Food Small Retailer/Corner Store Act.	Representative Holley Representative Whitmire Representative B. Brown Representative Lambeth
HB 287	Amend Insurance Laws.-AB	Representative Setzer Representative Bumgardner

HB 372- 2015 Medicaid Modernization is anticipated to be heard.
Sponsors: Representatives Dollar, Lambeth, B. Brown, Jones

ADJOURNMENT



MINUTES
HOUSE COMMITTEE ON APPROPRIATIONS

Thursday, June 11, 2015

8:30 a.m.

Legislative Office Building, Room 643

ATTENDEES:

Chairmen: Dollar, L. Johnson, Lambeth, McGrady

Vice Chairmen: Arp, Avila, Blackwell, Boles, Cleveland, Daughtry, Dixon, Dobson, Faircloth, Horn, Hurley, Iler, Malone, Riddell, Shepard, Tine, Torbett, West

Members: Adcock, L. Bell, Brockman, Brody, Bumgardner, Catlin, Conrad, Earle, Elmore, Farmer-Butterfield, Fisher, Floyd, Ford, Fraley, Gill, Glazier, C. Graham, G. Graham, Harrison, Hunter, Insko, R. Johnson, Langdon, G. Martin, McNeill, Michaux, Millis, Pendleton, Pittman, Queen, Richardson, Salmon, Speciale, Stevens, B. Turner, R. Turner, Watford, Whitmire, Willingham, Wray, Yarborough

I. Call to Order

Chair, Chuck McGrady presided and called the meeting to order at 8:35 a.m.

II. Introductions

Representative McGrady introduced Sergeant-at-Arms staff and students who were serving as House Pages.

III. Action Agenda Items

A. HB287: Amend Insurance Laws.-AB

Representative Bumgardner introduced HB287. Questions were received from committee members: Torbet, McNeil, Glazier, Faircloth and Michaux.

Representative Dollar moved for a favorable report to HB287 (CS#1) with a recommended referral to Judiciary II. The motion passed.

B. HB19: Waive Tuition/Fallen Officer Was Guardian

HB19 was introduced by Representative Charles Graham. Representatives Speciale, Brody, Stevens, Dollar, Cleveland, Martin, Insko and Richardson spoke to the bill.

Representative Floyd moved for a favorable report to HB19. The motion passed.

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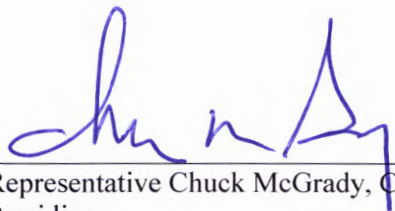
**C. HB250: Healthy Food Small Retailer/Corner Store Act
Proposed Committee Substitute H250-CSMC-19 [v.3]**

Representative Holley introduced the Proposed Committee Substitute H250-CSMC-19 [v.3]. Attendees viewed a video of several successful corner stores operating within North Carolina and the positive effects on the surrounding communities. Representatives Whitmire, Avila, Millis, Speciale, Graham, Stevens, Insko, Farmer-Butterfield, Elmore, Earle, Brisson, Floyd, R. Johnson, Ford, Glazier, and Pittman spoke to the Bill.

Representative Brisson moved for a favorable report to Proposed Committee Substitute H250-CSMC-19 [v.3] and unfavorable to the original Bill. The motion passed.

IV. Adjournment

The House Committee on Appropriations adjourned at 9:40 a.m.



Representative Chuck McGrady, Chair
Presiding



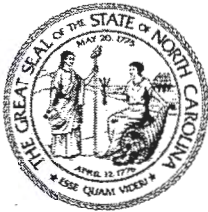
Panthea Briles, Committee Clerk

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HOUSE BILL 19: Waive Tuition/Fallen Officer Was Guardian

2015-2016 General Assembly

Committee: House Appropriations
Introduced by: Rep. C. Graham
Analysis of: Second Edition

Date: June 11, 2015
Prepared by: Drupti Chauhan
Committee Counsel

SUMMARY: *House Bill 19 would require UNC campuses and North Carolina community colleges to waive tuition for children whose legal guardians or legal custodian are law enforcement officers, firefighters, volunteer firefighters, or rescue squad workers who are killed as a direct result of traumatic injury sustained in the line of duty or are permanently and totally disabled as a direct result of a traumatic injury sustained in the line of duty.*

CURRENT LAW: Chapter 115B of the General Statutes requires campuses of The University of North Carolina and the North Carolina community colleges to waive tuition for certain individuals including:

- Survivors of law enforcement officers, firefighters, volunteer firefighters, or rescue squad workers killed as direct result of a traumatic injury sustained in the line of duty. The definition of "survivor" is an individual whose parent or spouse: (i) was a law enforcement officer, a firefighter, a volunteer firefighter, or a rescue squad worker, and (ii) was killed while in active service or training for active service or died as a result of a service-connected disability.
- Spouses of law enforcement officers, firefighters, volunteer firefighters, or rescue squad workers permanently and totally disabled as a direct result of a traumatic injury sustained in the line of duty.
- Any child, if the child is at least 17 years old but not yet 24 years old, whose parent is a law enforcement officer, firefighter, volunteer firefighter, or rescue squad worker who is permanently and totally disabled as a direct result of a traumatic injury sustained in the line of duty.

The relationships are verified by birth certificates or marriage certificates or other documentary evidence deemed appropriate by the institution.

BILL ANALYSIS: HB 19 would require UNC campuses and North Carolina community colleges to waive tuition for children whose legal guardians and legal custodians are law enforcement officers, firefighters, volunteer firefighters, or rescue squad workers who are killed as a direct result of traumatic injury sustained in the line of duty or are permanently and totally disabled as a direct result of a traumatic injury sustained in the line of duty. The bill also provides that the guardianship and custodian relationships must be verified by an order from a court proceeding rather than evidence deemed appropriate by the institution.

Finally, the bill makes several technical changes to fix incorrect cross-references in the relevant statutes.

EFFECTIVE DATE: The bill would become effective when it becomes law and would apply beginning with the 2015 fall academic semester.





GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2015

H

2

HOUSE BILL 19

Committee Substitute Favorable 3/10/15

Short Title: Waive Tuition/Fallen Officer Was Guardian.

(Public)

Sponsors:

Referred to:

January 29, 2015

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT THE TUITION WAIVER FOR SURVIVORS OF LAW ENFORCEMENT OFFICERS, FIREFIGHTERS, OR RESCUE SQUAD WORKERS AND CERTAIN OTHERS ALSO APPLIES TO CHILDREN WHOSE LEGAL GUARDIANS OR LEGAL CUSTODIANS ARE LAW ENFORCEMENT OFFICERS, FIREFIGHTERS, OR RESCUE SQUAD WORKERS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 115B-1(6) reads as rewritten:

"§ 115B-1. Definitions.

The following definitions apply in this Chapter:

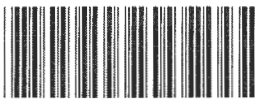
...

- (6) Survivor. – Any person whose ~~parent-parent, legal guardian, legal custodian,~~ or spouse: (i) was a law enforcement officer, a firefighter, a volunteer firefighter, or a rescue squad worker, (ii) was killed while in active service or training for active service or died as a result of a service-connected disability, and (iii) at the time of active service or training was a North Carolina resident. The term does not include the widow or widower of a law enforcement officer, firefighter, volunteer firefighter, or a rescue squad worker if the widow or widower has remarried."

SECTION 2. G.S. 115B-2(a) reads as rewritten:

"(a) The constituent institutions of The University of North Carolina and the community colleges as defined in G.S. 115D-2(2) shall permit the following persons to attend classes for credit or noncredit purposes without the required payment of tuition:

- (1) Repealed by Session Laws 2009-451, s. 8.11(a), effective July 1, 2009.
- (2) Any person who is the survivor of a law enforcement officer, firefighter, volunteer firefighter, or rescue squad worker killed as a direct result of a traumatic injury sustained in the line of duty.
- (3) The spouse of a law enforcement officer, firefighter, volunteer firefighter, or rescue squad worker who is permanently and totally disabled as a direct result of a traumatic injury sustained in the line of duty.
- (4) Any child, if the child is at least 17 years old but not yet 24 years old, whose ~~parent-parent, legal guardian, or legal custodian~~ is a law enforcement officer, firefighter, volunteer firefighter, or rescue squad worker who is permanently and totally disabled as a direct result of a traumatic injury sustained in the line of duty. However, a child's eligibility for a waiver of tuition under this Chapter shall not exceed: (i) 54 months, if the child is seeking a



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baccalaureate degree, or (ii) if the child is not seeking a baccalaureate degree, the number of months required to complete the educational program to which the child is applying.

(5) Any child, if the child (i) is at least 17 years old but not yet 24 years old, (ii) is a ward of North Carolina or was a ward of the State at the time the child reached the age of 18, (iii) is a resident of the State; and (iv) is eligible for services under the Chaffee Education and Training Vouchers Program; but the waiver shall only be to the extent that there is any tuition still payable after receipt of other financial aid received by the student.

(6) Any child enrolled in a regional school established pursuant to Part 10 of Article 16 of Chapter 115C of the General Statutes who enrolls in classes at a constituent institution or community college which has a written agreement with the regional school."

SECTION 3. G.S. 115B-5(b) reads as rewritten:

"(b) The officials of the institutions charged with administration of this Chapter shall require the following proof to insure that a person applying to the institution and who requests a tuition waiver under ~~G.S. 115B-2(2)~~, G.S. 115B-2(a)(2), (3), or (4) is eligible for the benefits provided by this Chapter.

(1) The parent-child relationship shall be verified by a birth certificate, legal adoption papers, or other documentary evidence deemed appropriate by the institution.

(1a) The legal guardian-child relationship shall be verified by an order from a court proceeding that established the legal guardianship.

(1b) The legal custodian-child relationship shall be verified by an order from a court proceeding that established the legal custodianship.

(2) The marital relationship shall be verified by a marriage certificate or other documentary evidence deemed appropriate by the institution.

(3) The cause of death of the law enforcement officer, firefighter, volunteer firefighter, or rescue squad worker shall be verified by certification from the records of the Department of State Treasurer, the appropriate city or county law enforcement agency that employed the deceased, the administrative agency for the fire department or fire protection district recognized for funding under the Department of State Auditor, or the administrative agency having jurisdiction over any paid firefighters of all counties and cities.

(4) The permanent and total disability shall be verified by documentation deemed necessary by the institution from the North Carolina Industrial Commission."

SECTION 3.5. G.S. 115B-5(c) reads as rewritten:

"(c) The officials of the institutions charged with administration of this Chapter may require proof to verify that a person applying to the institution under ~~G.S. 115B-2(5)~~ G.S. 115B-2(a)(5) is eligible for the benefits provided by this Chapter."

SECTION 3.7. G.S. 115B-5.1 reads as rewritten:

"§ 115B-5.1. Student to be credited for scholarship value.

If a person obtains a tuition waiver under ~~G.S. 115B-2(2)~~, G.S. 115B-2(a)(2), (3), or (4) and the person also receives a cash scholarship paid or payable to the institution, from whatever source, the amount of the scholarship shall be applied to the credit of the person in the payment of incidental expenses of the person's attendance at the institution, and any balance, if the terms of the scholarship permit, shall be returned to the student."

SECTION 4. This act is effective when it becomes law and applies to the 2015 fall academic semester and each subsequent semester.



This Bill Analysis
reflects the contents
of the bill as it was
presented in
committee.

HOUSE BILL 119: PED Recs/Publicly Funded Substance Abuse Svcs

2015-2016 General Assembly

Committee:	House Health, if favorable, Appropriations	Date:	March 17, 2015
Introduced by:	Reps. Horn, Hurley, Saine	Prepared by:	Theresa Matula
Analysis of:	First Edition		Committee Staff

SUMMARY: *House Bill 199 integrates State-operated Alcohol and Drug Treatment Centers (ADATCs) into the array of publicly funded substance abuse services managed by Local Management Entities/Managed Care Organizations (LME/MCOs), as recommended by the Joint Legislative Program Evaluation Oversight Committee. The transition would take place over a three-year period with full integration occurring by June 30, 2019.*

BACKGROUND: The Program Evaluation Division's report, 2014-14, found that the three Alcohol and Drug Treatment Centers (ADATCs), Julian Keith, RJ Blackley, and WB Jones, operate autonomously from the LME/MCO managed community-based system thereby limiting the ability to address service gaps, provide a continuum of care, and manage cost. The report also identified the need for a performance management system to track long-term outcomes of substance abuse treatment.

BILL ANALYSIS: **House Bill 119** is divided into eight Parts outlined below.

PART I. Definitions - Defines or describes the following terms and abbreviations: ADATCs, DHHS, DMH/DD/SAS, DSOHF, LME/MCO, and transition period.

PART II. DHHS Transition Business Plan for Integrating ADATCs into the array of publicly funded substance abuse services managed by LME/MCOs - Establishes the intent to integrate ADATCs into the range of services managed by the LME/MCOs over a three year period beginning July 1, 2016, and achieving full integration by June 30, 2019.

By April 1, 2015, the Department of Health and Human Services (DHHS) must submit to the Joint Legislative Oversight Committee on Health and Human Services, a three-year transition business plan consisting of the information outlined below.

- Projected demand by LME/MCOs for substance abuse services provided by ADATCs for: (i) each fiscal year of the transition, and (ii) the first three fiscal years subsequent to full integration.
- Projected availability of services at all ADATCS during (i) each fiscal year of the transition period, and (ii) the first three fiscal years subsequent to full integration.
- Procedures for making operational adjustments at each ADATC during the transition period.
- Methodology for establishing and updating the rates paid by LME/MCOs for substance abuse services provided by ADATCS.
- Uniform process for LME/MCOs to give prior authorization for ADATCs to admit and treat individuals whose care is managed and paid for by the LME/MCO.

PART III. Termination and Reallocation of Direct State Appropriations for ADATCs -Notwithstanding anything to the contrary, the intent is to terminate all direct State appropriations for ADATCs by July 1, 2019, and to reallocate the funding to DMH/DD/SAS for allocation to LME/MCOs. This will allow the LME/MCOs to assume responsibility for managing all publicly funded substance abuse services for individuals within their respective catchment areas.

O. Walker Reagan
Director



Research Division
(919) 733-2578

House Bill 119

Page 2

To provide the LME/MCOs an opportunity to plan the efficient and effective management of reallocated ADATC funds, DMH/DD/SAS must carry out the tasks outlined below.

- 1) Calculate and notify each LME/MCO by August 1, 2015, of its estimated share of fund allocations.
- 2) Require each LME/MCO to submit by February 1, 2016, a written transition plan describing how the LME/MCO plans to use reallocated ADATC funds to accomplish the following related to substance abuse services: (i) build capacity for community-based services, (ii) reduce service gaps, (iii) purchase services from the ADATC, or (iv) a combination of these. DMH/DD/SAS must review the plans to ensure reallocated funds are used to purchase substance abuse services.

PART IV. LME/MCO Payment and Utilization Management for ADATC Services – Each LME/MCO is required to do all of the following:

- By February 1, 2016, submit to DMH/DD/SAS a written transition plan.
- By February 1 of each year, submit projected demand for ADATC services for the upcoming fiscal year to the Division of State-Operated Healthcare Facilities (DSOHF), DHHS.
- By April 1 of each year, enter into a contract with DSOHF for the ADATC services it intends to utilize during the next fiscal year. The contract must include all of the terms specified in the bill.
- Implement and enforce the prior authorization process established by DHHS as required in Part II of the bill.

PART V. Adjustment of ADATC Operations – The intent is for each ADATC to be wholly receipt-supported by the end of the transition period. As such, each ADATC must annually evaluate and adjust their operations based on projected demand for services and the availability of funding from direct State appropriations and estimated receipts. Operational adjustments must comply with procedures specified in Part II of the bill.

PART VI. Oversight and Reporting – During the transition period, DMH/DD/SAS must monitor the following: 1) expenditures by the LME/MCO to ensure it meets maintenance of effort requirements of the federal Substance Abuse Prevention and Treatment Block Grant; 2) efforts by LME/MCO to increase capacity for substance abuse treatment and development of community-based services; 3) utilization by LME/MCO of substance abuse services provided by ADATCs.

Beginning October 1, 2016, and annually thereafter until October 1, 2020, DHHS must report to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Program Evaluation Oversight Committee on: 1) the status of fully integrating the ADATCs, and 2) a breakdown of how direct State appropriations reallocated from the ADATCs to the LME/MCOs have been used to purchase substance abuse services.

PART VII. Plan for Strengthening Performance Management for the State's Publicly Funded Substance Abuse Services – By January 15, 2016, DMH/DD/SAS, DHHS, in consultation with LME/MCOs must develop and submit to the Joint Legislative Oversight Committee on Health and Human Services, a plan to strengthen performance management for the State's publicly funded substance abuse services. DHHS is encouraged to consult with various entities. The plan must include: 1) specific long-term outcome measures; 2) information technology challenges and proposed remedies; 3) time lines for tracking long-term outcome measures; 4) data elements to improve the process of analyzing service gaps; and 5) protocols for using long-term outcomes to assess, measure and hold LME/MCOs accountable for effective and efficient treatment.

EFFECTIVE DATE: This bill becomes effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 119*

Short Title: PED Recs/Publicly Funded Substance Abuse Svcs. (Public)

Sponsors: Representatives Horn, Hurley, and Saine (Primary Sponsors).

For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Health, if favorable, Appropriations.

March 2, 2015

A BILL TO BE ENTITLED

AN ACT INTEGRATING STATE-OPERATED ALCOHOL AND DRUG ABUSE
TREATMENT CENTERS (ADATCS) INTO THE ARRAY OF PUBLICLY FUNDED
SUBSTANCE ABUSE SERVICES MANAGED BY LOCAL MANAGEMENT
ENTITIES/MANAGED CARE ORGANIZATIONS, REALLOCATING DIRECT STATE
APPROPRIATIONS FOR ADATCS TO THE DIVISION OF MENTAL HEALTH,
DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES FOR
MANAGEMENT BY THE LME/MCOS, AND STRENGTHENING THE
PERFORMANCE MANAGEMENT SYSTEM FOR PUBLICLY FUNDED SUBSTANCE
ABUSE SERVICES, AS RECOMMENDED BY THE JOINT LEGISLATIVE PROGRAM
EVALUATION OVERSIGHT COMMITTEE.

The General Assembly of North Carolina enacts:

PART I. DEFINITIONS

SECTION 1. As used in this act, the following definitions apply unless the context requires otherwise:

- (1) ADATCs. – All of the Alcohol and Drug Treatment Centers under the jurisdiction of the DHHS Secretary, as identified in G.S. 122C-181.
- (2) DHHS. – The North Carolina Department of Health and Human Services.
- (3) DMH/DD/SAS. – The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services of the North Carolina Department of Health and Human Services.
- (4) DSOHF. – The Division of State-Operated Healthcare Facilities of the North Carolina Department of Health and Human Services.
- (5) LME/MCO or Local Management Entity/Managed Care Organization. – As defined in G.S. 122C-3; a local management entity that is under contract with DHHS to operate the combined Medicaid Waiver program authorized under Section 1915(b) and Section 1915(c) of the Social Security Act.
- (6) Transition period. – The three-year period beginning July 1, 2016, and ending June 30, 2019, during which ADATCs are to be fully integrated into the array of publicly funded substance abuse services managed by the LME/MCOs.



PART II. DHHS TRANSITION BUSINESS PLAN FOR INTEGRATING ADATCS INTO THE ARRAY OF PUBLICLY FUNDED SUBSTANCE ABUSE SERVICES MANAGED BY LME/MCOS.

SECTION 2.(a) It is the intent of the General Assembly to integrate the ADATCs into the array of publicly funded substance abuse services managed by the LME/MCOs over a three-year period, beginning no earlier than July 1, 2016, and ending with full integration by June 30, 2019.

SECTION 2.(b) By April 1, 2016, DHHS shall prepare and submit to the Joint Legislative Oversight Committee on Health and Human Services a three-year transition business plan for integrating all ADATCs into the array of publicly funded substance abuse services managed by the LME/MCOs. The plan shall include at least all of the following components:

- (1) The projected demand by LME/MCOs for substance abuse services provided by the ADATCs during (i) each fiscal year of the transition period and (ii) the first three fiscal years subsequent to full integration of the ADATCs into the array of publicly funded substance abuse services managed by the LME/MCOs.
- (2) The projected availability of services at all ADATCs during (i) each fiscal year of the transition period and (ii) the first three fiscal years subsequent to full integration of the ADATCs into the array of publicly funded substance abuse services managed by the LME/MCOs.
- (3) Procedures for making operational adjustments at each of the ADATCs during the transition period based upon the demand for services and the availability of funding to provide these services. Operational adjustments may include one or any combination of the following:
 - a. Staffing adjustments.
 - b. Changes in the use of contract staff.
 - c. Facility closures.
- (4) A methodology for establishing and updating the rates to be paid by LME/MCOs for substance abuse services provided by ADATCs to individuals receiving these services under the management of the LME/MCOs.
- (5) A uniform process for LME/MCOs to give prior authorization for ADATCs to admit and treat individuals whose care is managed and paid for by the LME/MCOs. The prior authorization process developed pursuant to this subsection shall be developed by DHHS, in consultation with the LME/MCOs. As part of this process, an ADATC shall provide screening and triage services and notify the appropriate LME/MCO when an individual reliant upon State funds for substance abuse services seeks direct admission to the ADATC. The LME/MCO for the catchment area in which the individual resides shall determine if the individual should be admitted to the ADATC based upon clinical information provided by the ADATC. If the LME/MCO approves admission, the LME/MCO shall be financially responsible for all inpatient substance abuse services rendered by the ADATC to the individual. If the LME/MCO denies admission, the LME/MCO shall be responsible for paying the cost of assessment services performed by the ADATC and for making arrangements for the individual to receive alternative substance abuse services.

PART III. TERMINATION AND REALLOCATION OF DIRECT STATE APPROPRIATIONS FOR ADATCS

SECTION 3.(a) It is the intent of the General Assembly to gradually terminate all direct State appropriations for ADATCs by the beginning of the 2019-2020 fiscal year and instead reallocate this funding to DMH/DD/SAS for community services in order to allow the LME/MCOs to assume responsibility for managing the full array of publicly funded substance abuse services, including those delivered through the ADATCs. To this end and notwithstanding any other provision of law, all direct State appropriations for ADATCs are terminated effective July 1, 2019, and reallocated to DMH/DD/SAS for allocation to the LME/MCOs. The LME/MCOs shall use these reallocated funds to manage and pay for the utilization of substance abuse treatment and services for individuals within their respective catchment areas.

SECTION 3.(b) In order to allow the LME/MCOs to plan in advance how to effectively and efficiently manage these reallocated ADATC funds, DMH/DD/SAS shall do all of the following:

- (1) Calculate and notify each LME/MCO by August 1, 2015, of its estimated share of these fund allocations for each fiscal year of the transition period. The estimated share of fund allocations for each LME/MCO shall be:
 - a. Based on the total amount of direct State appropriations allocated to the ADATCs for the 2015-2016 fiscal year.
 - b. Proportional to the total population of the LME/MCO catchment area, except that the estimated share of allocations for the LME/MCO known as Cardinal Innovations Healthcare Solutions (Cardinal) shall be reduced by an amount sufficient to reflect the ADATC state institution fund allocation received by Cardinal for the original counties under the Piedmont Demonstration Project.
- (2) As a condition of receiving its share of reallocated ADATC funds, require each LME/MCO to submit by February 1, 2016, a written transition plan describing how the LME/MCO plans to use these reallocated ADATC funds to (i) build capacity for community-based substance abuse services, (ii) reduce gaps in substance abuse services, (iii) purchase substance abuse services from the ADATCs, or (iv) any combination of these. DMH/DD/SAS shall review the written transition plans to ensure each LME/MCO proposes using these reallocated ADATC funds to purchase substance abuse services.

PART IV. LME/MCO PAYMENT AND UTILIZATION MANAGEMENT FOR ADATC SERVICES

SECTION 4. In order to allow the LME/MCOs to effectively and efficiently manage utilization of, and payment for, ADATC services for individuals within their respective catchment areas, each LME/MCO shall do all of the following:

- (1) By February 1, 2016, submit to DMH/DD/SAS a written transition plan describing how it plans to use reallocated ADATC funds to (i) build capacity for community-based substance abuse services, (ii) reduce gaps in substance abuse services, (iii) purchase substance abuse services from the ADATCs, or (iv) any combination of these.
- (2) By February 1 of each year, submit to DSOHF its projected demand for ADATC services for the upcoming fiscal year.
- (3) By April 1 of each year, enter into a contract with DSOHF for the ADATC services it intends to utilize during the next fiscal year. The contract shall include at least all of the following terms:
 - a. The projected amount of substance abuse services to be provided by the ADATCs to individuals within the LME/MCO catchment area.

- b. The negotiated rate to be paid by the LME/MCO for substance abuse services provided by the ADATCs to individuals receiving these services under the management of the LME/MCOs. The negotiated rate shall be sufficient to cover one hundred percent (100%) of the actual cost to the ADATCs for providing these services, except that during the transition period the negotiated rate shall be calculated as follows:
1. For fiscal year 2016-2017, LME/MCOs shall pay twenty-five percent (25%) of the facility's per bed day cost for ADATC services provided to individuals under the management of the LME/MCOs.
 2. For fiscal year 2017-2018, LME/MCOs shall pay fifty percent (50%) of the per bed day cost for ADATC services provided to individuals under the management of the LME/MCOs.
 3. For the 2018-2019 fiscal year, LME/MCOs shall pay seventy-five percent (75%) of the per bed day cost for ADATC services provided to individuals under the management of the LME/MCOs.
- c. Any conditions imposed upon the ADATCs for receiving payment from the LME/MCOs for services provided to individuals whose care is managed and paid for by the LME/MCOs, including prior authorization.
- (4) Implement and enforce the prior authorization process established by DHHS, in consultation with the LME/MCOs, pursuant to Section 2(b)(5) of this act.

PART V. ADJUSTMENT OF ADATC OPERATIONS

SECTION 5. It is the intent of the General Assembly that at the end of the transition period, each of the ADATCs be wholly receipt-supported. To this end, during the transition period, each of the ADATCs shall annually evaluate and adjust their operations based upon the projected demand for services and the availability of funding to meet the demand for services from direct State appropriations and estimated receipts from Medicare, Medicaid, insurance, self-pay, and the LME/MCOs. These operational adjustments shall be in compliance with the procedures established by DHHS pursuant to Section 2(b)(3) of this act.

PART VI. OVERSIGHT AND REPORTING

SECTION 6.(a) During the transition period, DMH/DD/SAS shall monitor each of the following with respect to integration of the ADATCs into the array of publicly funded substance abuse services managed by the LME/MCOs:

- (1) Expenditures by LME/MCOs and by ADATCs to ensure that North Carolina continues to meet the maintenance of effort requirements of the federal Substance Abuse Prevention and Treatment Block Grant.
- (2) Efforts by each of the LME/MCOs to increase capacity for substance abuse treatment to ensure the development of community-based services to meet the needs of individuals formerly served by the ADATCs.
- (3) Utilization by LME/MCOs of substance abuse services provided by the ADATCs.

SECTION 6.(b) Beginning October 1, 2016, and annually thereafter until October 1, 2020, DHHS shall report to the Joint Legislative Oversight Committee on Health and Human Services and the Joint Legislative Program Evaluation Oversight Committee on each of the following:

- (1) The status of fully integrating the ADATCs into the array of publicly funded substance abuse services managed by the LME/MCOs.
- (2) A breakdown of how direct State appropriations reallocated from the ADATCs to the LME/MCOs have been used to purchase substance abuse services.

PART VII. PLAN FOR STRENGTHENING PERFORMANCE MANAGEMENT FOR THE STATE'S PUBLICLY FUNDED SUBSTANCE ABUSE SERVICES

SECTION 7. By January 15, 2016, DMH/DD/SAS, in consultation with the LME/MCOs, shall develop and submit to the Joint Legislative Oversight Committee on Health and Human Services a plan to strengthen performance management for the State's publicly funded substance abuse services. The Department is encouraged to consult with other Divisions under its jurisdiction, the North Carolina Court System, and other State agencies, including the Departments of Public Safety, Revenue, and Commerce, in order to develop a plan that integrates other data into a performance management system that measures outcomes. The plan shall identify at least all of the following:

- (1) Specific long-term outcome measures to be tracked by DMH/DD/SAS.
- (2) Challenges with the current information technology system used for Medicaid claim adjudication that may limit the State's ability to implement meaningful performance management, and proposed remedies for either eliminating this limitation in the system or collecting needed data from the LME/MCOs.
- (3) Time lines for all steps necessary for DMH/DD/SAS to begin tracking long-term outcome measures.
- (4) Data elements, such as patient placement criteria data, that would allow DMH/DD/SAS to improve the process for analyzing service gaps in substance abuse services.
- (5) Protocols for using long-term outcomes to (i) assess the effectiveness of treatment modalities and practices, (ii) measure the performance of providers and LME/MCOs in the delivery of substance abuse services, and (iii) hold LME/MCOs accountable for effective and efficient treatment.

PART VIII. EFFECTIVE DATE

SECTION 8. This act is effective when it becomes law.





HOUSE BILL 250: Healthy Food Small Retailer/Corner Store Act

2015-2016 General Assembly

Committee:	House Appropriations	Date:	June 10, 2015
Introduced by:	Reps. Holley, Whitnire, B. Brown, Lambeth	Prepared by:	Dan Ettefagh
Analysis of:	PCS to First Edition H250-CSMC-19		Committee Counsel

SUMMARY: *The PCS for House Bill 250 would create the Healthy Food Small Retailer Fund in the Department of Agriculture and Consumer Services for food desert relief purposes by providing micro-grants for equipment and shelving, initial expense offsets, and food and nutrition safety and handling education. The PCS differs from the House bill by establishing the Fund in DACS (instead of the Department of Commerce) and by providing funds to stores no greater than 5,000 (instead of 3,000) heated square feet.*

[As introduced, this bill was identical to S296, as introduced by Sens. D. Davis, Pate, which is currently in Senate Re-ref to Appropriations/Base Budget. If fav, re-ref to Health Care.]

BILL ANALYSIS: The PCS provides funding for the benefit of small food retailers of no more than 5,000 heated square feet located in food desert zones to assist them in carrying nutrient-dense foods, such as vegetables, fruits, whole grains, low-fat dairy products, and lean meats. A food desert zone is a tract that has (i) a poverty rate of 20% or greater or has a median family income at/below 80% of the median family income for the State and (ii) has 500/+ persons or at least 33% of the population who live 1/+ mile/s (if in a metropolitan area) or 10+ miles (if in a nonmetropolitan area) from a healthy, affordable food store. Counties must apply to DACS to have food desert zones designated as such, and the designation is good for 10 years.

Fund disbursements must be used (i) for shelving and equipment to stock nutrient-dense foods, (ii) to offset initial expenses related to participating in food desert relief efforts, or (iii) to cover salaries/costs of technical assistance to retailers on food safety and handling, nutrition education, business operations, and nutrient-dense food promotion. The maximum per retailer amount for these activities, respectively, is (i) \$5,000, (ii) \$100, and (iii) \$1,500. In making disbursements, attention should be paid to level of need, and the Department must establish monitoring and accountability for participants. Participants must (i) accept SNAP benefits and Special Supplemental Nutrition Program for Women, Infants, and Children benefits and (ii) provide a plan for expenditures of the grant to increase nutrient-dense food sales and for engaging the community to support food desert relief efforts.

Funds may be disbursed only if there is (i) a retailer performance agreement between the county/regional public health department and a small retailer and (ii) a local food desert relief agreement between the State and 1/+ county/regional public health department/s.

- The retailer performance agreement must include, among other things, a commitment to promote and sell nutrient-dense foods for a minimum time period, along with satisfactory proof of such efforts, an agreement to use funds only for permissible purposes, a provision allowing records inspection, the methodology for determining agreement compliance, a fund disbursement schedule dependent on the retailer's submission of a plan of implementation, a

Kory Goldsmith
Director



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House Bill 250

Page 2

recapture provision, a provision allowing purchase of equipment for nominal cost after 5 years, and a provision encouraging cooperation with local producers.

- The local food desert relief agreement must include, among other things, a mandatory recapture provision coupled with State reimbursement for recaptured funds, a provision allowing records inspection, and a fund disbursement schedule reflecting the disbursement schedule in the retailer performance agreement.

The Department must annually report on use of funds from the Fund by April 30 to the oversight committee for HHS, the appropriations committees with jurisdiction over agriculture and natural and economic resources, and the Fiscal Research Division. The report should detail the amount of funds disbursed, geographic distribution of disbursements, and an evaluation of outcome of disbursements, including the health impact of funded efforts.

Guidelines for use of the Fund and to selection of projects are to be developed by DACS with abbreviated notice and comment requirements.

EFFECTIVE DATE: The PCS would be effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2015

H

1

HOUSE BILL 250*

Short Title: Healthy Food Small Retailer/Corner Store Act. (Public)

Sponsors: Representatives Holley, Whitmire, B. Brown, and Lambeth (Primary Sponsors).

For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Appropriations.

March 17, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO ENACT THE CORNER STORE INITIATIVE ACT TO ASSIST HEALTHY
3 FOOD SMALL RETAILERS.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** Part 2J of Article 10 of Chapter 143B of the General Statutes is
6 reenacted and reads as rewritten:

7 "~~Part 2J. Wine and Grape Growers Council.~~ Healthy Food Small Retailer Act.

8 "**§ 143B-437.92. Healthy Food Small Retailer Fund.**

9 (a) Findings. – The General Assembly finds the following:

10 (1) Overweight children and adults are at greater risk for numerous adverse
11 health consequences, including type 2 diabetes, heart disease, stroke, high
12 blood pressure, high cholesterol, certain cancers, asthma, low self-esteem,
13 depression, and other debilitating diseases. In North Carolina, over sixty-five
14 percent (65%) of adult residents were considered overweight or obese and
15 over thirty-one percent (31%) of children were considered overweight or
16 obese. Obese children are at least twice as likely as non-obese children to
17 become obese adults.

18 (2) The medical costs of obesity are rising rapidly in the United States and are
19 estimated to be one hundred forty-seven billion dollars (\$147,000,000,000)
20 per year. Roughly half of these obesity-related costs are paid by Medicare
21 and Medicaid, indicating taxpayers bear the majority of the cost for
22 obesity-related medical care. Obesity-related health care spending accounts
23 for eight and one-half percent (8.5%) of Medicare spending, eleven and
24 eight-tenths percent (11.8%) of Medicaid spending, and twelve and
25 nine-tenths percent (12.9%) of private payer spending.

26 (3) Many Americans, particularly those in low-income neighborhoods, rural
27 areas, and communities of color, live in communities that lack adequate
28 access to full-service grocery stores. Low-income areas have more than
29 twice as many convenience stores and four times as many small grocery
30 stores as high-income areas. Proximity to convenience stores within a
31 neighborhood is associated with higher rates of obesity and diabetes.

32 (4) Research indicates that small food stores sell little fresh produce, whole
33 grains, and low-fat dairy products but sell larger quantities of foods that are
34 high in fat and low in nutrients. Small food stores regularly charge higher
35 prices for food as compared to grocery stores and supermarkets.



(5) Providing assistance to existing small food retailers to stock fresh produce and other healthy foods and promote good nutrition can provide residents with access to healthier foods. Community programs that work with these small food retailers have shown promise in increasing healthy food sales, improving store offerings, and promoting good nutrition.

(6) Efforts are currently underway among the Department of Commerce, the Department of Agriculture, and the Department of Health and Human Services to utilize existing retail outlet infrastructure to facilitate access to and increase consumption of nutrient-dense foods in order to improve overall health and reduce public medical care costs.

(b) Purpose. – The program established pursuant to this section is intended to provide a source of funding and assistance for small food retailers operating in the State, in both urban and rural areas with the goal of increasing availability and sales of fresh fruits, vegetables, and other nutrient-dense foods at affordable prices to local residents and improving the diet and health of local residents, especially in food desert zones.

(c) Fund. – The Healthy Food Small Retailer Fund is created as a restricted reserve in the Department of Commerce. Funds in the Fund do not revert but remain available to the Department for food desert relief purposes.

(d) Definitions. – The following definitions apply in this section:

(1) Business. – A corporation, sole proprietorship, cooperative association, partnership, S corporation, limited liability company, nonprofit corporation, or other form of business organization, located either within or outside this State.

(2) Department. – The Department of Commerce.

(3) Food desert relief. – Moneys allocated to a county or regional public health department to provide funds, equipment, or other assistance to a small food retailer located in a food desert zone to enable the small food retailer to carry and sell nutrient-dense foods.

(4) Food desert zone. – A census tract that has been identified by the Economic Research Service of the United States Department of Agriculture as meeting each of the following criteria:

a. The tract has a poverty rate of twenty percent (20%) or greater or has a median family income at or below eighty percent (80%) of the median family income for the State.

b. The tract has at least 500 persons or at least thirty-three percent (33%) of the population who, for a metropolitan area, live more than one mile from a grocery store or healthy, affordable food retail outlet store or, for a nonmetropolitan area, more than 10 miles from a grocery store or healthy, affordable food retail outlet store.

(5) Nutrient dense food. – A food that has high levels of nutrients in relationship to the number of calories the food contains. The term includes fresh vegetables and fruits, whole grains, nuts, seeds, beans and legumes, low-fat dairy products, lean-meats, and seafood.

(6) Small food retailer. – A business that is a small retail outlet, including corner stores, convenience stores, cooperatives, and bodegas, of no more than 3,000 heated square feet that sells a limited selection of foods and other products.

(e) Designation. – Upon application of a county, the Secretary of Commerce shall make a written determination whether an area is a food desert zone, as defined in this section. A determination under this section is effective until December 31 of the year 10 years following the year in which the determination is made. The Department of Commerce shall publish

1 annually a list of all food desert zones with a description of their boundaries. The application
2 required by this subsection shall include all of the following:

- 3 (1) A map showing the census tracts and block groups that would comprise the
4 zone.
- 5 (2) A detailed description of the boundaries of the area that would comprise the
6 zone.
- 7 (3) Detailed census information on the county and the proposed zone.
- 8 (4) A resolution of the board of county commissioners requesting the
9 designation of the area as a food desert zone.
- 10 (5) Any other material required by the Secretary of Commerce.

11 (f) Administration. – The Department shall develop guidelines providing for the
12 administration of the program and selection of recipients of food desert relief. The Department
13 may use up to twelve percent (12%) of funds appropriated to the Fund to administer the Fund.
14 The guidelines developed shall include the following provisions, which shall apply to food
15 desert relief awards from the Fund:

- 16 (1) The funds shall be used only for the following:
 - 17 a. Amounts to a county or regional public health department to
18 purchase and install at a small food retailer refrigeration equipment,
19 display shelving, and other equipment necessary for stocking
20 nutrient-dense foods. Total funding under this sub-subdivision may
21 not exceed five thousand dollars (\$5,000) per small food retailer.
 - 22 b. Amounts to a county or regional public health department to be given
23 to a small food retailer to offset initial expenses related to
24 participating in food desert relief efforts. Total funding under this
25 sub-subdivision may not exceed one hundred dollars (\$100.00) per
26 small food retailer.
 - 27 c. Amounts to a county or regional public health department to cover
28 salaries and associated costs of either employees or contractors
29 providing technical assistance to small food retailers on
30 nutrient-dense food safety and handling, nutrition education, and
31 business operations and promotion related to nutrient-dense food
32 inventory. Total funding under this sub-subdivision may not exceed
33 one thousand five hundred dollars (\$1,500) per small food retailer.
- 34 (2) In determining disbursements of moneys from the Fund, the Department
35 shall consider the level of need in the area to be served.
- 36 (3) The Department shall establish monitoring and accountability mechanisms
37 for recipients.
- 38 (4) Funds may be used only for assistance of small food retailers in food desert
39 zones.
- 40 (5) Small food retailers receiving moneys from the Fund must accept or agree to
41 accept Supplemental Nutrition Assistance Program benefits and must accept
42 or agree to apply to accept Special Supplemental Nutrition Program for
43 Women, Infants and Children benefits.
- 44 (6) Recipients must provide defined goals, standards, and accountability
45 mechanisms to ensure that expenditure of moneys from the Fund are
46 consistent with this section, including (i) providing a plan describing specific
47 goals for increasing the sales of nutrient-dense foods by small food retailers,
48 engaging the community to support participating small food retailers, and
49 establishing standards to assess whether goals are being met and (ii)
50 recruiting county, municipal, and other agencies to provide expertise,
51 support, and coordination of efforts to support small food retailers.

1 (g) Agreements. – Funds may be disbursed from the Healthy Food Small Retailer Fund
2 only in accordance with agreements entered into between the State and one or more county or
3 regional public health departments and between the county or regional public health department
4 and a small food retailer.

5 (h) Retailer Performance Agreements. – An agreement between a county or regional
6 public health department and a small retailer must contain the following provisions:

- 7 (1) A commitment to promote and sell nutrient-dense foods at a specific
8 location and the minimum time period for which the promotion and sales
9 must be maintained.
- 10 (2) A commitment to provide proof satisfactory to the county or regional public
11 health department and the State of nutrient-dense food promotion and sales.
- 12 (3) A provision that funds received under the agreement may be used only for a
13 purpose specified in this section.
- 14 (4) A provision allowing the State or the county or regional public health
15 department to inspect all records of the small food retailer that may be used
16 to confirm compliance with the agreement or with the requirements of this
17 section.
- 18 (5) A provision establishing the method for determining compliance with the
19 agreement.
- 20 (6) A provision establishing a schedule for disbursement of funds for purchasing
21 and installing equipment under the agreement that allows disbursement of
22 funds only after a small food retailer has submitted a plan of implementation
23 for the stocking, promotion, and sale of nutrient-dense foods.
- 24 (7) A provision requiring recapture of equipment provided to a small food
25 retailer if the small food retailer subsequently fails to comply with the terms
26 of the agreement for a period of not less than five years following receipt of
27 the equipment.
- 28 (8) A provision allowing a small food retailer receiving equipment pursuant to
29 this section to purchase the equipment for a nominal amount five years
30 following receipt of the equipment.
- 31 (9) A provision encouraging the small food retailer to contract with local
32 producers of available nutrient-dense foods.
- 33 (10) Any other provision the State or the county or regional public health
34 department finds necessary to ensure the proper use of State or local funds.

35 (i) Local Food Desert Relief Agreement. – An agreement between the State and one or
36 more county or regional public health departments shall contain the following provisions:

- 37 (1) A provision requiring the county or regional public health department to
38 recapture any funds to which the county or regional public health department
39 is entitled under the retailer performance agreement.
- 40 (2) A provision requiring the county or regional public health department to
41 reimburse the State for any funds improperly disbursed or funds recaptured
42 by the county or regional public health department.
- 43 (3) A provision allowing the State access to all records possessed by county or
44 regional public health department necessary to ensure compliance with the
45 retailer performance agreement and with the requirements of this section.
- 46 (4) A provision establishing a schedule for the disbursement of funds from the
47 Healthy Food Small Retailer Fund to the county or regional public health
48 department that reflects the disbursement schedule established in the retailer
49 performance agreement.
- 50 (5) Any other provision the State finds necessary to ensure the proper use of
51 State funds.

1 (j) Disbursement of Funds. – Funds may be disbursed from the Healthy Food Small
2 Retailer Fund to the county or regional public health department only after the county or
3 regional public health department has demonstrated that the retailer has complied with the
4 terms of the retailer performance agreement. The State shall disburse funds allocated under the
5 Healthy Food Small Retailer Fund to a county or regional public health department in
6 accordance with the disbursement schedule established in the local food desert relief
7 agreement.

8 (k) Reports. – The Department shall publish a report on the use of funds in the Healthy
9 Food Small Retailer Fund on or before April 30 of each year. The Department shall submit the
10 report electronically to the Joint Legislative Oversight Committee on Health and Human
11 Services, the Joint Legislative Economic Development and Global Engagement Oversight
12 Committee, and the Fiscal Research Division. The report shall include the amount of funds
13 disbursed, the geographic distribution of disbursements, and an evaluation of the outcome of
14 the disbursements, including the health impact associated with the funding.

15 (l) Guidelines. – The Department of Commerce shall develop guidelines related to the
16 administration of the Healthy Food Small Retailer Fund and to the selection of projects to
17 receive allocations from the Fund. At least 20 days before the effective date of any guidelines
18 or nontechnical amendments to guidelines, the Department of Commerce must publish the
19 proposed guidelines on the Department's Web site and provide notice to persons who have
20 requested notice of proposed guidelines. In addition, the Department must accept oral and
21 written comments on the proposed guidelines during the 15 business days beginning on the first
22 day that the Department has completed these notifications. For the purpose of this section, a
23 technical amendment is either of the following:

24 (1) An amendment that corrects a spelling or grammatical error.

25 (2) An amendment that makes a clarification based on public comment and
26 could have been anticipated by the public notice that immediately preceded
27 the public comment."

28 **SECTION 2.** There is appropriated from the General Fund to the Department of
29 Commerce the sum of one million dollars (\$1,000,000) for the 2015-2016 fiscal year to be
30 allocated to the Healthy Food Small Retailer Fund to be used for purposes consistent with this
31 act.

32 **SECTION 3.** This act is effective when it becomes law.





HOUSE BILL 287: Amend Insurance Laws.-AB

This Bill Analysis
reflects the contents
of the bill as it was
presented in
committee.

2015-2016 General Assembly

Committee: House Insurance
Introduced by: Reps. Setzer, Bumgardner
Analysis of: PCS to First Edition
H287-CSRG-2

Date: April 13, 2015
Prepared by: Tim Hovis
Committee Counsel

SUMMARY: *House Bill 287 makes various statutory changes recommended by the Department of Insurance.*

The PCS changes the title.

BILL ANALYSIS: G.S. 58-7-37(a) was changed during the legislative session to remove the requirement for control individuals to submit, along with fingerprints, "a recent photograph." This was due to the fact that the SBI no longer requires a photograph. **Section 1** will make the Professional Employer Organizations (PEO) statute consistent with the General Domestic Companies statute.

Section 2 updates the law pertaining to domestic security deposits (G.S. 58-5-55) to include a deposit requirement for domestic "non-stock insurance companies" organized pursuant to G.S. 58-7-75(1a). G.S. 58-5-55 addresses the deposit requirements for stock and mutual companies, but it does not address the requirement for non-stock companies.

Section 3 updates language in G.S. 58-64-80 referencing the "North Carolina Association of Non-Profit Homes for the Aging". (NCANPHA). NCANPHA is now called the "LeadingAge North Carolina."

Section 4 requires insurers in an expedited external review process to provide information to the Commissioner within one day as opposed to one "business" day.

Section 5 would increase the penalties from a Class H to a Class C felony for an insurance fiduciary who causes the cancellation of a group health or life insurance policy by failing to pay premiums if the resulting losses are \$100,000 or more.

Section 6 would allow proof of financial responsibility (auto liability insurance) for registration to be demonstrated in a physical or electronic format.

Section 7 would allow insurers to write coverage within a policy jointly as long as the policy identifies the company responsible for each coverage.

Section 8 would create a new section allowing automobile insurers to file individually with the Commissioner for approval optional enhancements to their automobile or homeowners' policies. These enhancements could then be offered as an endorsement to an automobile policy. Any additional premium resulting from the enhancement must be included with the proposed enhancement filed with the Commissioner and must be reviewed by the Commissioner to ensure that the additional premium is based on sound actuarial principles. The acceptance or renewal of a policy may not be conditioned upon the acceptance by a policyholder of an optional enhancement.

O. Walker Reagan
Director



Research Division
(919) 733-2578

House Bill 287

Page 2

This section specifically provides that any rate amendment based on the enhancement is not a rate deviation under current law. Under current law, G.S. 58-36-30(a), proposed rate deviations must be filed with the Commissioner and the Rate Bureau and approved by the Commissioner.

Under the bill, optional enhancements would be outside the jurisdiction of the Rate Bureau.

Section 9 would require the Department of Insurance to study and evaluate the need for and impact of modernization of regulatory processes related to health insurance premium rates. The bill would appropriate from the Insurance Regulatory Fund \$150,000 for the 2015-2016 fiscal year to conduct the study.

EFFECTIVE DATE: Section 4 of the act would become effective January 1, 2016. Section 8 of the act would become effective July 1, 2015 and applies to enhancements filed on or after that date. The remaining sections would become effective upon becoming law.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2015

H

2

HOUSE BILL 287

Committee Substitute Favorable 4/14/15

Short Title: Amend Insurance Laws.-AB

(Public)

Sponsors:

Referred to:

March 19, 2015

A BILL TO BE ENTITLED

AN ACT TO MAKE CONFORMING AND CLARIFYING CHANGES TO THE LAWS GOVERNING PROFESSIONAL EMPLOYER ORGANIZATIONS, INSURANCE COMPANY DEPOSITS, CONTINUING CARE RETIREMENT COMMUNITIES, HEALTH INSURANCE EXTERNAL REVIEW, HEALTH INSURANCE FIDUCIARIES, MOTOR VEHICLE FINANCIAL RESPONSIBILITY, INSURANCE COMPANY NAMES, AND AUTO AND HOMEOWNERS' INSURANCE OPTIONAL PROGRAM ENHANCEMENTS; AND TO PROVIDE FOR A STUDY OF THE HEALTH INSURANCE PREMIUM RATE REVIEW PROCESS AND MONEYS FROM THE INSURANCE REGULATORY FUND TO IMPLEMENT THAT STUDY, AS RECOMMENDED BY THE DEPARTMENT OF INSURANCE.

The General Assembly of North Carolina enacts:

CONFORMING AND CLARIFYING CHANGES

SECTION 1. G.S. 58-89A-60(d) reads as rewritten:

"(d) Every applicant shall furnish the Commissioner a complete set of fingerprints and a recent photograph of each officer, director, and controlling person in a form prescribed by the Commissioner of each officer, director, and controlling person. Each set of fingerprints shall be certified by an authorized law enforcement officer.

Upon request by the Department, the Department of Public Safety shall provide to the Department from the State and National Repositories of Criminal Histories the criminal history of any applicant and the officer, director, and controlling person of any applicant. Along with the request, the Department shall provide to the Department of Public Safety the fingerprints of the person that is the subject of the request, a form signed by the person that is the subject of the request consenting to the criminal record check and use of fingerprints and other identifying information required by the State and National Repositories, and any additional information required by the Department of Public Safety. The person's fingerprints shall be forwarded to the State Bureau of Investigation for a search of the State's criminal history record file, and the State Bureau of Investigation may forward a set of fingerprints to the Federal Bureau of Investigation for a national criminal history record check. The Department shall keep all information obtained pursuant to this subsection confidential. The Department of Public Safety may charge a fee to offset the cost incurred by it to conduct a criminal record check under this section. The fee shall not exceed the actual cost of locating, editing, researching, and retrieving the information.

In the event that an applicant has secured a professional employer organization license in another state in which the professional employer organization's controlling persons have



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completed a criminal background investigation within 12 months of this application, a certified copy of the report from the appropriate authority of that state may satisfy the requirement of this subsection. This subsection also applies to a change in a controlling party of a professional employer organization. For purposes of investigation under this subsection, the Commissioner shall have all the power conferred by G.S. 58-2-50 and other applicable provisions of this Chapter."

SECTION 2. G.S. 58-5-55(a) reads as rewritten:

"(a) In addition to other requirements of Articles 1 through 64 of this Chapter, all domestic stock insurance companies shall deposit their required statutory capital with the ~~Commissioner~~Commissioner, and all domestic nonstock insurance companies shall deposit their required statutory surplus with the Commissioner. Such deposits shall be under the exclusive control of the Commissioner for the protection of policyholders."

SECTION 3. G.S. 58-64-80 reads as rewritten:

"§ 58-64-80. Advisory Committee.

There shall be a nine member Continuing Care Advisory Committee appointed by the Commissioner. The Committee shall consist of at least two residents of facilities, two representatives of the ~~North Carolina Association of Nonprofit Homes for the Aging~~LeadingAge North Carolina, one individual who is a certified public accountant and is licensed to practice in this State, one individual skilled in the field of architecture or engineering, and one individual who is a health care professional."

SECTION 4. G.S. 58-50-82(b)(1) reads as rewritten:

"§ 58-50-82. Expedited external review.

"(1) Notify the insurer that made the noncertification, noncertification appeal decision, or second-level grievance review decision which is the subject of the request that the request has been received and provide a copy of the request. The Commissioner shall also request any information from the insurer necessary to make the preliminary review set forth in G.S. 58-50-80(b)(2) and require the insurer to deliver the information not later than one business day after the request was made."

SECTION 5. G.S. 58-50-40(c) reads as rewritten:

"(c) Any insurance fiduciary who violates subsection (b) of this section shall be guilty of ~~a Class H felony~~the following felony offense:

(1) If the total value of losses suffered as a result of an insurance fiduciary's violation of subsection (b) of this section is one hundred thousand dollars (\$100,000) or more, the violation is a Class C felony.

(2) If the total value of losses suffered as a result of an insurance fiduciary's violation of subsection (b) of this section is less than one hundred thousand dollars (\$100,000), the violation is a Class H felony."

SECTION 6. G.S. 20-309(a) is amended by adding a new subsection to read:

"(c1) The proof of insurance required to demonstrate financial responsibility under subsection (c) of this section may be satisfied by producing records of insurance in either physical or electronic format. Acceptable electronic formats include display of electronic images on a mobile phone or other portable electronic device produced through an application or Web site of the insurer."

SECTION 7. G.S. 58-3-50 reads as rewritten:

"§ 58-3-50. Companies must do business in own name; emblems, insignias, etc.

Every insurance company or group of companies must conduct its business in the State in, and the policies and contracts of insurance issued by it shall be headed or entitled only by, its proper or corporate name or names. There shall not appear on the policy anything that would indicate that it is the obligation of any other than the company or companies responsible for the payment of losses under the policy, though it will be permissible to stamp or print on the

1 policy, the name or names of the department or general agency issuing the same, and the group
2 of companies with which the company is financially affiliated. The use of any emblem,
3 insignia, or anything other than the true and proper corporate name of the company or group of
4 companies shall be permitted only with the approval of the ~~Commissioner~~.Commissioner,
5 provided that, with the exception of policies subject to the provisions of Article 36 of this
6 Chapter, a coverage within a policy may be issued by more than one company, so long as the
7 policy clearly identifies the company responsible for each coverage."

8 **SECTION 8.** Article 36 of Chapter 58 of the General Statutes is amended by
9 adding a new section to read:

10 **"§ 58-36-43. Optional program enhancements authorized not altering coverage under**
11 **Rate Bureau jurisdiction.**

12 (a) Member companies writing private passenger automobile or homeowners' insurance
13 under this Article may incorporate optional enhancements to their automobile and homeowners'
14 programs as an endorsement to an automobile or homeowners' policy issued under this Article
15 if the insurer has filed the proposed enhancement with the Commissioner and if the proposed
16 enhancement is approved by the Commissioner. Any approved optional enhancements shall be
17 considered outside the authority of the Rate Bureau. If the proposed enhancement will include
18 an additional premium charge, the proposed premium charge shall be included with the
19 proposed program enhancements filed with the Commissioner. The Commissioner shall review
20 the proposed premium charges and approve them if the Commissioner finds that they are based
21 on sound actuarial principles. Amendments to private passenger automobile or homeowners'
22 program enhancements are subject to the same requirements as initial filings. Neither the
23 acceptance, renewal of a policy, nor any underwriting rating criteria shall be conditioned by a
24 company upon the acceptance by the policyholder of any optional automobile or homeowners'
25 enhancements. A rate amendment authorized by this section is not a rate deviation and is not
26 subject to the requirements for rate deviations set forth in G.S. 58-36-30(a).

27 (b) Insurers shall utilize statistical codes outlined by their statistical organization in
28 reporting premiums and losses resulting from program enhancements filed under this section.
29 Those statistical codes shall be substantially different than the codes utilized for data collected
30 for rate-making purposes in order to avoid commingling of the data."

31
32 **HEALTH INSURANCE PREMIUM RATE REVIEW MODERNIZATION STUDY**

33 **SECTION 9.(a)** Authorization. – The Department of Insurance shall study and
34 evaluate the need for and the expected impact of modernization in the Department's regulatory
35 processes and requirements related to health insurance premium rate review.

36 **SECTION 9.(b)** Elements of Study. – As part of the study and evaluation, the
37 Department shall, at a minimum, include the following:

- 38 (1) Consideration and evaluation of other states' health insurance rate review
39 laws, requirements, and processes.
- 40 (2) Consideration and evaluation of the expected impact of modernization on the
41 costs of health insurance for businesses and consumers.
- 42 (3) Consideration and evaluation of the expected impact of modernization on
43 insurers' and the State's operations and costs.
- 44 (4) Consideration and evaluation of federal provisions relating to rate review of
45 health insurance premium rates and the expected impact of modernization in
46 light of the federal requirements.

47 **SECTION 9.(c)** Report. – The Department of Insurance shall submit a report with
48 its findings and recommendations to the 2015 General Assembly when it reconvenes in 2016.
49 The report may include proposed legislation and any other recommendations requiring
50 legislative action.

1 **SECTION 9.(d)** Consultants. – The Commissioner of Insurance may hire
2 consultants to assist the Department in completing its duties under this section.

3 **SECTION 9.(e)** Funding. – There is appropriated from the Insurance Regulatory
4 Fund created under G.S. 58-6-25 to the Department of Insurance the sum of one hundred fifty
5 thousand dollars (\$150,000) for the 2015-2016 fiscal year for the purposes of conducting the
6 study described by this section. Unspent and unencumbered funds remaining on June 30, 2017,
7 shall revert to the Fund.

8
9 **EFFECTIVE DATE**

10 **SECTION 10.** Section 4 of this act becomes effective January 1, 2016. Section 8 of
11 this act becomes effective July 1, 2015, and applies to optional enhancements, as described in
12 that section, filed and approved on or after that date. The remainder of this act is effective when
13 it becomes law.

**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

APPROPRIATIONS COMMITTEE REPORT

**Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair**

FAVORABLE

HB 19 (CS#1) Waive Tuition/Fallen Officer Was Guardian.
Draft Number: None
Serial Referral: None
Recommended Referral: None
Long Title Amended: No
Floor Manager: C. Graham

FAVORABLE AND RE-REFERRED

HB 287 (CS#1) Amend Insurance Laws.-AB
Draft Number: None
Serial Referral: None
Recommended Referral: JUDICIARY II
Long Title Amended: No
Floor Manager: Bumgardner

FAVORABLE COM SUB, UNFAVORABLE ORIGINAL BILL

HB 250 Healthy Food Small Retailer/Corner Store Act.
Draft Number: H250-PCS20368-MC-19
Serial Referral: None
Recommended Referral: None
Long Title Amended: No
Floor Manager: Holley

TOTAL REPORTED: 3



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VISITOR REGISTRATION SHEET

Appropriations

6.11.2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

J. GRAYER SHERBIL	NCFB
Laura Papp	NC STATE GRANGE
Wynne Coale	OITS
Shian Mewald	WM
Austin Pruitt	Perkinson Law
M. H. E. Jones	ACP
Bill Rustin	ACP
David P. Hall	VB
Jeff Gray	FOP
Orlando Fleming	PIP
Kara Weishaar	SA
Christopher Rivers	Del
Vicki Boyer	self

Douglas Kellogg

John Hand-

Smith

Allen Harrison

Dana Simpson

John Potvin

NCSBA

MF $\frac{1}{2}$ S

NMRS

CBSWMA

SIA

NCADA

VISITOR REGISTRATION SHEET

Appropriations

6.11.2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Tamara Atkinson	Division State Operated Facilities
Laura White	DHHS - DSOHF
Peg Connell	MOD.
Betsy Vetter	AHA
Sarah Jacobson	NC alliance for Health
Pam Samans	NC Alliance for Health
Morgan Withman Crumman	NC Alliance for Health
Rehelle Spalko	CFSD
Jan Mue	Burich
Mall Gross	NCR
Tom V. Day	NCCHILD
Christine Weason	ACS CAN



VISITOR REGISTRATION SHEET

Appropriations

6.11.2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Amanda McQuade	NC Child
<i>[Signature]</i>	nwc
Butch Gurnells	NC Bev
Bruce Mildner	NCSA
Andy Chase	KMA
Tom Harty	NC 401
Tim Lucas	NC Rule Bureau
Johnson Bradley	NC Alliance of YMCAs
Sylvia D. Daniel	NC Citizens for Public Health (NCCPH)
Kathy Johnson	NC Citizens for Public Health
CRIS CLOW	UHG



VISITOR REGISTRATION SHEET

Appropriations

6.11.2015

Name of Committee

Date

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NAME

FIRM OR AGENCY AND ADDRESS

Shirley Gray	UITS
Proctor Landon	Brooks Pierce
Pay Zyt	MWC
Elizabeth Nick	NEPHD
Drew Moretz	UN EGA
M. Jillian D'Almon	MWC LLC
Ed Insley	HP
Amanda Horner	TSS
Daniel Baum	TSS
Condy M. Rabe	WGN
Leonard Lewis	GA
Flint Benson	SEANC



VISITOR REGISTRATION SHEET

Appropriations

Name of Committee

6.11.2015

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Wayne Williams

OSBN

Sarah Bales

Bullock Assoc.

Smur Vice

Duke Energy

BRIAN INGRAHAM

SMOK



Appropriations

6.11.2015

Date _____

NAME _____

FIRM OR AGENCY AND ADDRESS

JAKE PARKER

NCFB

Erica Nelson

NC HA

Ann Rodriguez

NC Council of Community Programs

Joanna Spruill

NCAFP



VISITOR REGISTRATION SHEET

Appropriations

6.11.2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Ryan Blackledge	Conc Health
Jim Bon	Bon : Asso.
Trent Womble	DHHS
Daniel VanLiere (DET)	Van's Health
Cory Hand	NICHA
JOE LAMIER	CARDINAL
Alan Briggs	NC Food Banks
Allison Stewart	Cardinal
Clayton Dellinger	NCDA & CS
Wynelle King	NCDA & CS
Joy Hicks	NCDA & CS



NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE REPORT

Representative Nelson Dollar, Senior Chair
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Representative Chuck McGrady, Co-Chair

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Serial Referral: None
Recommended Referral: None
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Serial Referral: None
Recommended Referral: JUDICIARY II
Long Title Amended: No
Floor Manager: Bumgardner

FAVORABLE COM SUB , UNFAVORABLE ORIGINAL BILL

HB 250 Healthy Food Small Retailer/Corner Store Act.
Draft Number: H250-PCS20368-MC-19
Serial Referral: None
Recommended Referral: None
Long Title Amended: No
Floor Manager: Holley

TOTAL REPORTED: 3



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**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Appropriations** will meet as follows:

DAY & DATE: Thursday, June 18, 2015

TIME: 8:30 AM

LOCATION: 643 LOB

The following bills will be considered:

BILL NO. SHORT TITLE

HB 372 2015 Medicaid Modernization.

SPONSOR

Representative Dollar

Representative Lambeth

Representative B. Brown

Representative Jones

Respectfully,

Representative Nelson Dollar, Senior Chair

Representative Linda P. Johnson, Co-Chair

Representative Donny Lambeth, Co-Chair

Representative Chuck McGrady, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 11:22 AM on Tuesday, June 16, 2015.

___ Principal Clerk

___ Reading Clerk – House Chamber

Candace Slate (Committee Assistant)



MINUTES
HOUSE COMMITTEE ON APPROPRIATIONS

Thursday, June 18, 2015

8:30 a.m.

Legislative Office Building, Room 643

ATTENDEES:

Chairmen: Dollar, L. Johnson, Lambeth, McGrady

Vice Chairmen: Arp, Avila, Blackwell, Cleveland, Dixon, Dobson, Faircloth, Horn, Hurley, Iler, Malone, Riddell, Shepard, Tine, Torbett, West

Members: Adcock, Ager, L. Bell, Brisson, Brockman, Brody, B. Brown, R. Bryan, Bumgardner, Catlin, Conrad, Farmer-Butterfield, Fisher, Floyd, Ford, Fraley, Gill, C. Graham, G. Graham, Hardister, Harrison, Hunter, Insko, R. Johnson, Langdon, D. Lewis, M. Lucas, G. Martin, McNeill, Michaux, Pendleton, Pierce, Pittman, Presnell, Queen, Richardson, Salmon, Speciale, Stevens, B. Turner, R. Turner, Watford, Whitmire, Willingham, Yarborough

I. Call to Order

Chair Linda Johnson presided and called the meeting to order at 8:35 a.m. A moment of silence was observed for the victims of the tragic shooting in Charleston, South Carolina.

II. Introductions

Representative Johnson introduced Sergeant-at-Arms staff and students who were serving as House Pages.

III. Action Agenda Items

A. HB372-PCS40474-MM-21

Representative Dollar reviewed a PowerPoint presentation that highlighted the growth of Medicaid Services and dollars spent in the delivery of these services to support the need for a new delivery model. The Medicaid Modernization Act seeks to reform North Carolina's Medicaid Program full-risk, capitated health plans managed by provider-led entities (PLE). Representative Lambeth stated the critical need for all healthcare providers to come together in creating solutions that move North Carolina's system from volume to value.

Representative Insko offered to amend the bill on page 4, line 34 by adding, "health quality outcomes," following the word *benefits*. Representative Insko commended the authors of the Bill and stated her pleasure in the work that had been accomplished. Representative Lambeth answered questions received from committee members: Floyd, Pendleton, Lucas, Michaux, Avila, Shepherd, Stevens, Adcock, Brody, Blackwell, Pittman, L. Bell.



Appropriations Committee

June 18, 2015

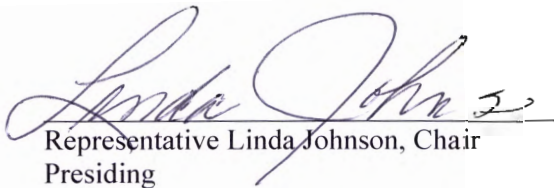
Page 2

Several members of the public addressed the Committee. Alexander Miller, North Carolina Nurses Association, recognized that nurses represented the largest population of healthcare providers in North Carolina. Hugh Tilson, Chief Operating Office, North Carolina Hospital Association; Chip Baggett, North Carolina Medical Society; and, Dave Richard, Deputy Secretary for Medical Assistance spoke in support of the Bill.

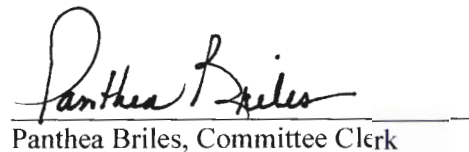
Representative West moved favorable to the Proposed Committee Substitute as amended, rolled into a new Proposed Committee Substitute, with a favorable report to the new Committee Substitute and an unfavorable report to the Original Bill. The motion passed.

IV. Adjournment

The House Committee on Appropriations adjourned at 9:52 a.m.



Representative Linda Johnson, Chair
Presiding



Panthea Briles, Committee Clerk

House Committee on Appropriations
Thursday, June 18, 2015, 8:30 AM
643

AGENDA

Welcome and Opening Remarks

Introduction of Pages

Bills:

BILL NO. SHORT TITLE

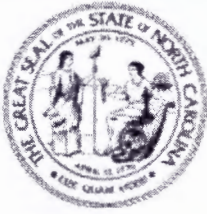
HB 372 Medicaid Modernization

SPONSOR

Representative Dollar
Representative Larnbeth
Representative B. Brown
Representative Jones

Adjournment





HOUSE BILL 372: 2015 Medicaid Modernization

This Bill Analysis
reflects the contents
of the bill as it was
presented in
committee.

2015-2016 General Assembly

Committee:	House Appropriations	Date:	June 17, 2015
Introduced by:	Reps. Dollar, Lambeth, B. Brown, Jones	Prepared by:	Kory Goldsmith
Analysis of:	PCS to Second Edition		Committee Counsel
	H372-CSMM-21		

SUMMARY: *The PCS to HB 372 would transition the Medicaid and NC Health Choice programs from fee-for-service to full-risk capitated health plans operated by provider-led entities to manage and coordinate the care for enough program aid categories to cover at least 90% of Medicaid and NC Health Choice recipients within five years of the act becoming law. All physical health services would be included in the coverage except dental, pharmacy, and pharmacy dispensing fees. The Department of Health and Human Services (Department) would manage and administer the program within the budget appropriated by the General Assembly. Once fully implemented, the State would retain only the risk of enrollment numbers and enrollment mix of populations receiving services.*

BILL ANALYSIS:

Section 1 sets out the intent of the General Assembly which is to transform the current Medicaid program so that it provides budget predictability while ensuring quality of care.

Section 2 provides definitions including the following:

- **Capitation payment** – A payment the State agency periodically makes to a contractor on behalf of each beneficiary enrolled under a contract for the provision of medical services under the State plan. The State agency makes the payment regardless of whether the particular beneficiary receives services during the period covered by the payment.
- **Provider** – An individual or business entity required to enroll in the North Carolina Medical Assistance Program or the North Carolina Health Insurance Program for Children to provide services, goods, supplies, or merchandise to a Medicaid or Health Choice recipient.
- **Provider-led entity (PLE)** – A provider, an entity with the primary purpose of owning or operating one or more providers, or a business entity in which providers hold a controlling ownership interest. In addition, a majority of each PLE's governing board must be comprised of physicians who treat Medicaid and NC Health Choice patients.
- **Recipient** – An individual who has been determined to be eligible for Medicaid or NC Health Choice.

Section 3 sets out the structure of the transformed Medicaid and NC Health Choice programs which shall include:

- **Implementation of full-risk capitated health plans by provider-led organizations to be phased in over five years from the date the act becomes law.** The health plans would include enough program aid categories to cover at least 90% of Medicaid recipients in all 100 counties.

Kory Goldsmith
Director



Legislative Drafting
(919) 733-6660

House Bill 372

Page 2

- Once fully implemented, the State retains the budgetary risk of enrollment numbers and enrollment mix of populations for which capitated payments are made.
- PLE contracts control the State's cost growth to at least 2% below national Medicaid spending growth based on the CMS annual report for nonexpansion states.
- Administrative costs are minimized and the Department shall establish medical loss ratios which allocate at least 90% of the capitated payment to patient care.
- PLEs will be responsible for all administrative functions including claims processing, appeals, and care and case management.

Section 4 sets out the following timeline for implementation:

- Within 1 year of the act becoming law, the Department must submit an application for an 1115 Medicaid demonstration waiver.
- Within 2 years of the act becoming law and approval by CMS of the demonstration waiver, the Department must issue a request for proposals (RFP) for provider-led organizations to bid on contracts.
- Within 5 years of the act becoming law, 90% of recipients will be enrolled in full-risk, capitated health plans for all services except those provided by LME/MCOs, dental, pharmacy, and pharmacy dispensing fees.
- Within 6 years of the act becoming law, each PLE must meet the risk, cost, performance, and quality goals set by the act and the contract.

Sections 5 and 10(b) directs the Department to submit the 1115 demonstration waiver and to continue implementing the existing 1915(b)/(c) waiver.

Section 6 sets out the minimum requirements for the RFPs and contracts. In addition to the mandatory components described above, each contract must cover at least 30,000 recipients, ensure appropriate access to care for recipients, and include defined measures of critical metrics. Collectively, the contracts must cover all 100 counties. All successful PLEs must meet the solvency requirements set by the Department of Insurance for health maintenance organizations. All contracts must be for 5 years and must contain clear performance goals with penalties for failure to meet the goals and financial rewards for meeting the goals.

Section 7 delegates to the Department full authority to implement the transformation of the Medicaid and NC Health Choice programs, including the authority to hire individuals with the experience and competencies to manage the Medicaid and NC Health Choice programs in a contract environment.

Section 8 directs the Secretary of the Department to convene an advisory committee of experts to advise the Department on the development of the 1115 waiver application and on the performance goals to be contained in the contracts.

Section 9 requires periodic audits of the plans.

Section 10 directs the Department to work with CMS to preserve existing levels of funding.

Section 11 creates the Joint Legislative Oversight Committee on Medicaid which would oversee the transformation. It would be composed of 7 members from the Senate, 7 members from the House of Representatives, and 2 members from each chamber would be members of the minority party.

Section 12 appropriates \$2.5 million of non-recurring funds to the Department for the 2015-16 and the 2016-17 fiscal years to provide a State match for federal funds to pay for Medicaid transformation.

House Bill 372

Page 3

EFFECTIVE DATE: Section 12 of the bill becomes effective upon appropriation by the General Assembly of the funds for implementation of the act. The remainder of the act is effective when it becomes law.



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

D

HOUSE BILL 372
PROPOSED COMMITTEE SUBSTITUTE H372-CSMM-21 [v.2]

Short Title: 2015 Medicaid Modernization.

(Public)

Sponsors:

Referred to:

March 30, 2015

A BILL TO BE ENTITLED
AN ACT TO MODERNIZE AND STABILIZE NORTH CAROLINA'S MEDICAID
PROGRAM THROUGH PROVIDER-LED CAPITATED HEALTH PLANS.

The General Assembly of North Carolina enacts:

SECTION 1. Intent and Goals. – It is the intent of the General Assembly to transform the State's current Medicaid program to a program that provides budget predictability for the taxpayers of this State while ensuring quality care to those in need. The new Medicaid program shall be designed to achieve the following goals:

- (1) Ensure budget predictability through shared risk and accountability.
- (2) Ensure balanced quality, patient satisfaction, and financial measures.
- (3) Ensure efficient and cost-effective administrative systems and structures.
- (4) Ensure a sustainable delivery system.
- (5) Improve health outcomes for the State's Medicaid population.

SECTION 2. Definitions. – As used in this act, the following terms have the following definitions:

- (1) Capitation payment. – As defined in 42 C.F.R. 438.2.
- (2) CMS. – The Centers for Medicare and Medicaid Services.
- (3) Department. – The North Carolina Department of Health and Human Services.
- (4) Provider. – As defined in G.S. 108C-2(10).
- (5) Provider-led entity. – Any of the following:
 - a. A provider.
 - b. An entity with the primary purpose of owning or operating one or more providers.
 - c. A business entity in which providers hold a controlling ownership interest.
- (6) Recipient. – An individual who has been determined to be eligible for Medicaid or NC Health Choice.
- (7) Secretary. – The Secretary of the Department.

SECTION 3. Structure of Delivery System. – The structure of the transformed Medicaid program required in Section 1 of this act shall be as follows:

- (1) Provider-led entities shall implement full-risk capitated health plans to manage and coordinate the care for enough program aid categories to cover at least ninety percent (90%) of Medicaid recipients to be phased in over five years from the date this act becomes law. Program aid category coverage shall not include dual eligibles for whom Medicaid pays only Medicare



* H 3 7 2 - C S M M - 2 1 - V - 2 *

premiums. In aggregate, provider-led entities shall cover Medicaid recipients in all 100 counties.

- (2) Provider-led entities ensure appropriate access to care for Medicaid recipients in all 100 counties while building upon the existing enhanced primary care medical home model.
- (3) Provider-led entity contracts result in controlling the State's cost growth at least two percentage (2%) points below national Medicaid spending growth as documented and projected in the annual report prepared for CMS by the Office of the Actuary for nonexpansion states.
- (4) The Department implements a process for recipient assignment to provider-led entities. Assignment shall be based on the recipient's selection of a provider-led entity, or if the recipient fails to choose a provider-led entity during initial enrollment, the Department shall develop a process for auto-assignment to a provider-led entity. The Department may limit the circumstances under which a Medicaid recipient may change provider-led entity, including creating an open enrollment period.
- (5) When fully implemented, the State retains only the risk of enrollment numbers and enrollment mix of the populations for which capitated payments are received.
- (6) Capitated payments will be actuarially sound and risk-adjusted, based on the mix of enrollees by program aid category and other appropriate factors.
- (7) The Department ensures administrative costs are minimized and establishes appropriate medical loss ratio for contractors accepting full-risk capitation, which allocates at least ninety percent (90%) of the capitated payments to cover patient care.
- (8) The Department ensures contracts required under this act contain effective program integrity features to protect against provider fraud, waste, and abuse at all levels of the system.
- (9) Provider-led entities will be responsible for all administrative functions for recipients enrolled in their plan, including, but not limited to, all claims processing, care management, case management, appeals, and all other necessary administrative services.
- (10) A majority of each provider-led entity's governing board shall be comprised of physicians who treat Medicaid patients including those who provide clinical services to Medicaid patients.

SECTION 4. Time Line. – The following milestones for Medicaid transformation shall occur in the following order and relative time frame.

- (1) Within 12 months of this act becoming law, the Department shall develop, with meaningful stakeholder engagement, and submit to CMS a request for an 1115 Medicaid demonstration waiver to implement the components of this act.
- (2) Within 24 months of this act becoming law and with waiver approvals from CMS, the Department will issue an RFP for provider-led entities to bid on contracts required under this act.
- (3) Within five years of the date this act becomes law, ninety percent (90%) of Medicaid recipients shall be enrolled in full-risk, capitated health plans for all services other than the services contracted for through the local management entities/managed care organizations (LME/MCOs), dental services and pharmaceutical products and dispensing fees. However, prior to reaching the coverage required under this subdivision, the Department may

1 accept a full-risk, capitated health plan as a pilot that begins within three
2 years of enactment of this act.

- 3 (4) Within six years of the date this act becomes law, each provider-led entity
4 under contract with the Department must meet the risk, cost, performance,
5 and quality goals required by this act and as contained in the contract with
6 the Department.

7 **SECTION 5.** Submission of Waiver. – The Department shall submit to CMS the
8 1115 waiver and any other waivers and State Plan amendments necessary to accomplish the
9 requirements of this act within the required time frames.

10 **SECTION 6.** Components of RFP/Terms and Conditions of Contracts. – The
11 following are mandatory components the Department must include in the RFP and in all
12 contracts required under Section 3 of this act.

- 13 (1) No bid may be considered if it does not, at a minimum, provide for all of the
14 following:

- 15 a. Cover a defined population of at least 30,000 recipients.
16 b. Ensure appropriate access to care for recipients.

- 17 (2) Individually, bidders must:

- 18 a. Agree to receive risk-adjusted capitation rates for all health benefits
19 and administrative services, including physical, long-term services
20 and supports, and other medical services generally considered
21 physical care.
22 b. Agree to transition to full-risk capitation for all services and related
23 administrative costs for enrolled populations within the three to five
24 years following the enactment of this act.
25 c. Agree to defined measures for risk-adjusted health outcomes, quality
26 of care, patient satisfaction, and costs.
27 d. Meet financial solvency requirements developed by the Department
28 of Insurance that are equivalent to the solvency requirements for
29 health maintenance organizations in G.S. 58-67-110.
30 e. Assume responsibility for complying with appeal rights and program
31 integrity functions.
32 f. Meet all data systems standards.

- 33 (3) Collectively, bidders are responsible for:

- 34 a. Coverage for all 100 counties.
35 b. Managing ninety percent (90%) of the State's Medicaid population
36 within five years of enactment. All dual eligibles shall be excluded.
37 c. A reduction of at least two percentage (2%) points below the national
38 Medicaid spending growth as documented and projected in the
39 annual report prepared for CMS by the Office of the Actuary for
40 nonexpansion states.

- 41 (4) All contracts must:

- 42 a. Include clear performance goals based on the defined measures that
43 are monitored and measured at specified and appropriate intervals.
44 b. Provide penalties for failure to meet the performance goals.
45 c. Provide financial rewards for achieving performance goals.
46 d. Be for a term of five years with options to renew or extend based
47 upon successful performance, as determined by the Department and
48 contained in the contract.
49 e. Adhere to the quality standards that are developed by the Quality
50 Assurance Advisory Committee and are consistent with State and
51 national quality measures.

SECTION 7. DHHS to Lead. – The General Assembly delegates full authority to the Department of Health and Human Services to take all actions necessary to implement the Medicaid transformation described in this act. The Department shall administer and manage the program within the budget enacted by the General Assembly provided that the total expenditures, net of agency receipts, for the Medicaid program do not exceed the enacted budget. The Department shall employ or contract with individuals who have the appropriate experience and competencies to manage the State's Medicaid program in a predominantly contract environment. To ensure a successful program, the Department shall do all of the following:

- (1) Establish procedures and criteria for certifying that contracts entered into under Section 6 of this act establish an adequate medical services delivery network, including determining criteria to ensure Medicaid recipients have access to all medically necessary services.
- (2) Establish quality standards and minimum services delivery network requirements for contracts entered into under Section 6 of this act.
- (3) Ensure recipients have appropriate access to primary care and specialty care services and shall develop a rate floor for this purpose.
- (4) Establish and implement quality assurance measures for the contracts entered into under Section 6 of this act.
- (5) Adopt and implement requirements for the contracts entered into under Section 6 of this act concerning Health Information Technology, robust data analytics, quality of care, and care-quality improvement.
- (6) Ensure that providers are required to manage care under appropriate evidence-based standards of care to more efficiently manage utilization and clinical resources.
- (7) Encourage providers to utilize appropriate technologies, such as telemedicine, to provide expeditious care and ensure access to services.
- (8) Establish procedures for termination of a contract entered into under Section 6 of this act for nonperformance of contractual duty or failure to meet or maintain benchmarks, standards, or requirements provided by this act or established by the Department.

SECTION 8. Quality Assurance Advisory Committee. – The Secretary shall convene an advisory committee consisting of experts in the areas of Medicaid, actuarial science, health economics, health benefits, and administration of health law and policy. At least one shall be a member of the North Carolina State Health Coordinating Council.

The Committee shall advise the Department on the development and submission of requests for all federal waivers that are necessary to implement this act and to support the development and approval of the performance goals that will serve as the basis of the pay-for-performance system. The committee shall terminate five years from the date of enactment of this act.

SECTION 9. Audits of Plans. – The Department shall contract for periodic financial audits of each successful bidder based on the terms and conditions of the awarded contract.

SECTION 10.(a) Maintain Funding Mechanisms. – The Department shall work with CMS to attempt to preserve existing levels of funding generated from Medicaid-specific funding streams, such as assessments, to the greatest extent possible. If such Medicaid-specific funding cannot be maintained, then the Department shall advise the Joint Legislative Oversight Committee created in Section 11 of this act of any modifications necessary to maintain as much revenue as possible within the context of Medicaid transformation.

SECTION 10.(b) Maintain Existing 1915 (b)/(c) Waiver. – The Department shall continue implementation of the existing 1915(b)/(c) waiver.

SECTION 11.(a) Legislative Oversight of Medicaid. – Chapter 120 of the General Statutes is amended by adding the following new Article:

"Article 23B.

"Joint Legislative Oversight Committee on Medicaid.

"§ 120-209. Creation and membership of Joint Legislative Oversight Committee on Medicaid.

(a) The Joint Legislative Oversight Committee on Medicaid is established. The Committee consists of 14 members as follows:

(1) Seven members of the Senate appointed by the President Pro Tempore of the Senate, at least two of whom are members of the minority party.

(2) Seven members of the House of Representatives appointed by the Speaker of the House of Representatives, at least two of whom are members of the minority party.

(b) Terms on the Committee are for two years and begin on the convening of the General Assembly in each odd-numbered year. Members may complete a term of service on the Committee even if they do not seek reelection or are not reelected to the General Assembly, but resignation or removal from service in the General Assembly constitutes resignation or removal from service on the Committee.

(c) A member continues to serve until a successor is appointed. A vacancy shall be filled within 30 days by the officer who made the original appointment.

"§ 120-209.1. Purpose and powers of Committee.

(a) The Joint Legislative Oversight Committee on Medicaid shall examine budgeting, financing, administrative, and operational issues related to the Medicaid and NC Health Choice programs and to the Department of Health and Human Services.

(b) The Committee shall make periodic reports to the General Assembly on matters for which it may report to a regular session of the General Assembly.

"§ 120-209.2. Organization of Committee.

(a) The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each designate a cochair of the Joint Legislative Oversight Committee on Medicaid. The Committee shall meet upon the joint call of the cochairs.

(b) A quorum of the Committee is eight members. No action may be taken except by a majority vote at a meeting at which a quorum is present.

(c) Members of the Committee receive subsistence and travel expenses, as provided in G.S. 120-3.1. The Committee may contract for consultants or hire employees in accordance with G.S. 120-32.02. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. Upon the direction of the Legislative Services Commission, the Directors of Legislative Assistants of the Senate and of the House of Representatives shall assign clerical staff to the Committee. The expenses for clerical employees shall be borne by the Committee.

(d) The Committee cochairs may establish subcommittees for the purpose of examining issues relating to its Committee charge.

"§ 120-209.3. Additional powers.

The Joint Legislative Oversight Committee on Medicaid, while in discharge of official duties, shall have access to any paper or document, and may compel the attendance of any State official or employee before the Committee or secure any evidence under G.S. 120-19. In addition, G.S. 120-19.1 through G.S. 120-19.4 shall apply to the proceedings of the Committee.

"§ 120-209.4. Reports to Committee.

Whenever the Department is required by law to report to the General Assembly or to any of its permanent, study, or oversight committees or subcommittees on matters affecting the Medicaid or NC Health Choice programs, the Department shall transmit a copy of the report to the cochairs of the Joint Legislative Oversight Committee on Medicaid."

1 **SECTION 11.(b)** G.S. 120-208.1(a)(2)b. is repealed.

2 **SECTION 12.** Appropriation. – To accomplish the Medicaid transformation
3 required by this act, there is appropriated from the General Fund to the Department of Health
4 and Human Services, Division of Medical Assistance, the sum of two million five hundred
5 thousand dollars (\$2,500,000) in nonrecurring funds for the 2015-2016 and the 2016-2017
6 fiscal years. These funds shall provide a State match for an estimated two million five hundred
7 thousand dollars (\$2,500,000) in federal funds beginning in the 2015-2016 fiscal year, and
8 those federal funds are hereby appropriated to the Division of Medical Assistance to pay for
9 Medicaid transformation.

10 **SECTION 13.** Section 12 of this act becomes effective upon appropriation by the
11 General Assembly of funds for the implementation of this act. The remainder of this act is
12 effective when it becomes law.

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

372
EDITION No. 1

H. B. No. 362

S. B. No. _____

COMMITTEE SUBSTITUTE X

DATE 6/18/15

Amendment No. _____

(to be filled in by
Principal Clerk)

Rep.)

Sen.)

Insko

1 moves to amend the bill on page 4, line 34

2 () WHICH CHANGES THE TITLE

3 by adding the following after "benefits,"

4 "health quality outcomes,"

5 "

6 "

7 _____

8 _____

9 _____

10 _____

11 _____

12 _____

13 _____

14 _____

15 _____

16 _____

17 _____

18 _____

19 _____

SIGNED

Verlen Insko

ADOPTED _____ FAILED _____ TABLED _____

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)



**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

APPROPRIATIONS COMMITTEE REPORT

Representative Nelson Dollar, Senior Chair

Representative Linda P. Johnson, Co-Chair

Representative Donny Lambeth, Co-Chair

Representative Chuck McGrady, Co-Chair

FAVORABLE COM SUB NO. 2, UNFAVORABLE COM SUB NO. 1

HB 372 (CS#1)

2015 Medicaid Modernization.

Draft Number: H372-PCS40474-MM-21

Serial Referral: None

Recommended Referral: None

Long Title Amended: No

Floor Manager: Dollar

TOTAL REPORTED: 1



* C M R 4 6 4 - V - 1 *



VISITOR REGISTRATION SHEET

Name of Committee

Date _____

FIRM OR AGENCY AND ADDRESS

[illegible]

VISITOR REGISTRATION SHEET

Appropriations

06.18.2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Natalie Hobron	NCHFA
Tom VITALLIUM	NC CHLD
Mike McBrody	Bjork
Adam Shroy	DHHS
Dan Hill	DHHS
Ed Tully	BP
Phoebe Fandora	BP
Mike Wilk	Lin gey RUC
Sarah McQuinn	SS GNC
Sarah Bales	Broadwater ASSO.
Flint Benson	SEANC



VISITOR REGISTRATION SHEET

Appropriations

06.18.2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Alan Miller	NCNA
Margham Cook	OITS
Trent Womble	DHHS
Josh Ehrlich	JDA
Amanda Frya	JDA
Thyly	mwe
Kara Weishaar	SA
Amber Cassidy	ASNC
Colleen Kochmet	KLG
Bill Rustin	ACP
Mike Jones	AP



VISITOR REGISTRATION SHEET

Appropriations

06.18.2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Andy Eller	NCRMA
Erwin M. Flader	FLADER
Jennifer Gasperini	NCMS
Ann Rodriguez	NC Council of Comm Programs
JOE LAMIER	CARDINAL
ALISON WALKER	CARDINAL
WENDY KELLY	NEAVEN
Ryan Blackledge	Conc Health
Erica Nelson	NCHHA
ERIN ROBINSON	NCRMA
PEYTON MANNING	J&J
JJ DARBY	



VISITOR REGISTRATION SHEET

Appropriations

06.18.2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

<i>[Signature]</i>	<i>AD</i>
Joanna Spill	NCAFP
Jon Carr	NCP3
Chip	<i>OTH</i>
Dana Simpson	SA
<i>Chad Byrd</i>	<i>acms</i>
Meri Boyce	NCFoot LA N K R
<i>Bob Hamme</i>	<i>TCA</i>
Mardy Pearl	Wellcome
Lisa Martin	Cap-Ad
<i>Douglas Holbrook</i>	NCSBA



VISITOR REGISTRATION SHEET

Appropriations

06.18.2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Amanda Honaker	Troutman Sanders
John McMillan	MFS
Bill Seoben	JS
Danville Baum	JS
Tam Friedman	WST
Rogge Holley	The Longmire Group
Cameron Barnes	The Longmire Group



App
Name

6-18-2015

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

FIRM OR AGENCY AND ADDRESS

Law Robert

CJAC

Sim Harell

RtH

1 Dan / Home

Smith Anderson

James S. Walker

Attorney, Charlotte, NC



**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Appropriations** will meet as follows:

DAY & DATE: Monday, June 29, 2015
TIME: **Immediately after recess**
LOCATION: **643 LOB**
COMMENTS: **Bill to be announced**

Respectfully,
Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 4:11 PM on Monday, June 29, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Candace Slate (Committee Assistant)



MINUTES
HOUSE COMMITTEE ON APPROPRIATIONS

Wednesday, June 29, 2015

8:00 p.m.

Legislative Office Building, Room 643

ATTENDEES:

Chairmen: Dollar, L. Johnson, Lambeth, McGrady

Vice Chairmen: Arp, Avila, Blackwell, Boles, Brawley, Brisson, B. Brown, R. Brown, Bryan, Cleveland, Daughtry, Dixon, Dobson, Faircloth, Hardister, Holloway, Horn, Hurley, Iler, Malone, McElraft, Presnell, Riddell, Saine, Shepard, Tine, Torbett

Members: Adcock, Ager, L. Bell, Brockman, Brody, Bumgardner, Catlin, Conrad, Elmore, Farmer-Butterfield, Fisher, Floyd, Ford, Fraley, Gill, Glazier, G. Graham, D. Hall, L. Hall, Harrison, Insko, Johnson, Langdon, Lewis, G. Martin, McNeill, Michaux, Pendleton, Pierce, Pittman, Queen, Richardson, Salmon, Speciale, Stam, Stevens, B. Turner, R. Turner, Watford, Whitmire, Willingham

I. Call to Order

Chair, Donny Lambeth presided and called the meeting to order at 8:00 p.m.

II. Proposed House Committee Substitute S534-PCS15259-LR-33

Representative Dollar reviewed S534-PCS15259-LR-33 that provides continuing budget authority for State governmental operations and expenditures through August 14, 2015.

III. Amendments

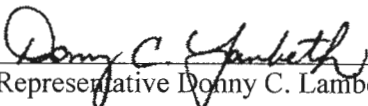
<u>Representative</u>	<u>Amendment</u>	<u>Adopted/Failed</u>
Dollar	S534-ATR-30 [v.1]	Adopted

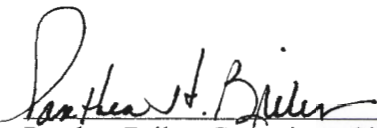
Representative Skip Stam moved that Senate Bill 534, as amended, be rolled into the House Committee Substitute; favorable report as to the Committee Substitute, unfavorable as to the original Bill.

Chairman Lambeth called for the question. Vote on the motion was unanimous.

IV. Adjournment

The House Committee on Appropriations adjourned at 8:30 p.m.


Representative Donny C. Lambeth, Chair


Panthea Briles, Committee Clerk





NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 534

AMENDMENT NO. 1
(to be filled in by
Principal Clerk)

S534-ATR-30 [v.1]

Page 1 of 1

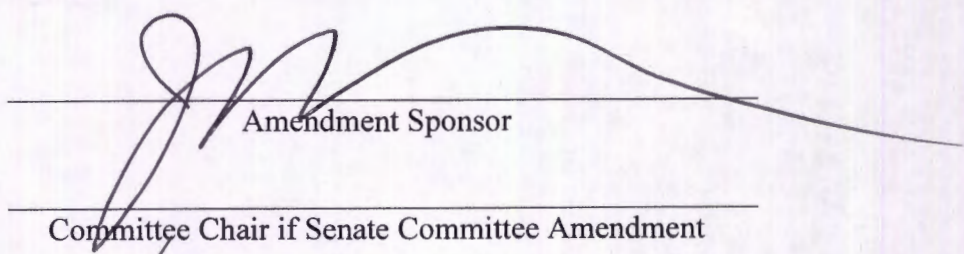
Amends Title [NO]
PCS

Date June 29, 2015

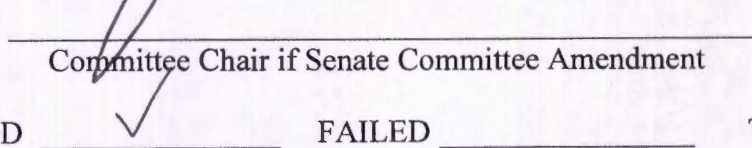
Representative Dollar

- 1 moves to amend the PCS on page 3, line 44, by deleting the word "or" and substituting "and".
2
3

SIGNED


Amendment Sponsor

SIGNED


Committee Chair if Senate Committee Amendment

ADOPTED ☒

FAILED ☐

TABLED ☐



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**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

APPROPRIATIONS COMMITTEE REPORT

Representative Nelson Dollar, Senior Chair

Representative Linda P. Johnson, Co-Chair

Representative Donny Lambeth, Co-Chair

Representative Chuck McGrady, Co-Chair

FAVORABLE HOUSE COM SUB, UNFAVORABLE SENATE COM SUB

SB 534 (CS#1)

Study Student Online Data Privacy.

Draft Number: S534-PCS15259-LR-33

Serial Referral: None

Recommended Referral: None

Long Title Amended: Yes

Floor Manager: Dollar

TOTAL REPORTED: 1



* C M R 4 8 1 - V - 1 *



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

S

2

SENATE BILL 534
Information Technology Committee Substitute Adopted 4/22/15

Short Title: Study Student Online Data Privacy.

(Public)

Sponsors:

Referred to:

March 30, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO REQUIRE THE STATE BOARD OF EDUCATION TO STUDY AND MAKE
3 RECOMMENDATIONS TO THE GENERAL ASSEMBLY ON ISSUES RELATED TO
4 ENSURING PRIVACY OF ONLINE STUDENT DATA.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** The State Board of Education shall study issues related to protecting
7 elementary and secondary student data and personal information online, in cloud-based
8 services, and in other electronic applications which collect student data. The study shall
9 include, but is not limited to, the use of elementary and secondary student data and personal
10 information by third parties, sale of elementary and secondary student data and personal
11 information, and transparency in disclosure of privacy policies in online, cloud-based, or
12 electronic application services targeted at students in elementary and secondary schools.

13 The State Board of Education shall report on its findings, including any
14 recommended legislation, to the Joint Legislative Education Oversight Committee and the Joint
15 Legislative Oversight Committee on Information Technology no later than February 15, 2016.

16 **SECTION 2.** This act is effective when it becomes law.



* S 5 3 4 - V - 2 *



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

S

D

SENATE BILL 534
Information Technology Committee Substitute Adopted 4/22/15
PROPOSED HOUSE COMMITTEE SUBSTITUTE S534-PCS15259-LR-33

Short Title: 2015 Continuing Budget Authority.

(Public)

Sponsors:

Referred to:

March 30, 2015

1 A BILL TO BE ENTITLED
2 AN ACT AUTHORIZING THE DIRECTOR OF THE BUDGET TO CONTINUE
3 EXPENDITURES FOR THE OPERATION OF GOVERNMENT AT THE LEVEL IN
4 EFFECT ON JUNE 30, 2015.

5 The General Assembly of North Carolina enacts:

6
7 **BUDGET CONTINUATION**

8 **SECTION 1.(a)** The Director of the Budget may continue to allocate funds for
9 recurring expenditures for current operations by State departments, institutions, and agencies at
10 the level at which these operations were authorized on a recurring basis in S.L. 2014-100, as
11 amended, except that current operations funded on a nonrecurring basis in the 2014-2015 fiscal
12 year that are funded at the same level in House Bill 97, 5th edition, and House Bill 97, 7th
13 edition, may continue to receive funds, unless the items are capital expenditures or related to
14 capital grants. The Director of the Budget may continue to allocate funds for the Department of
15 Transportation, Division of Motor Vehicles Tag and Tax Together program for the forty-four
16 (44) time-limited positions established in S.L. 2012-142, Section 24.10. The Director of the
17 Budget shall implement the budget reductions set out in House Bill 97, 5th edition, and House
18 Bill 97, 7th edition, that are not in controversy. The Director of the Budget shall not implement
19 any transfers set out in House Bill 97, 5th edition, House Bill 97, 7th edition, or both.

20 **SECTION 1.(b)** To the extent necessary to implement this authorization, there is
21 appropriated from the appropriate State funds and cash balances, federal receipts, and
22 departmental receipts for 2015-2016 fiscal year funds necessary to carry out this section, except
23 that cash balances subject to proposed transfer in House Bill 97, 5th edition, House Bill 97, 7th
24 edition, or both shall not be expended.

25 **SECTION 1.(c)** Vacant positions subject to proposed budget reductions in House
26 Bill 97, 5th edition, House Bill 97, 7th edition, or both shall not be filled after June 30, 2015.

27 **SECTION 1.(d)** State employees employed in positions subject to elimination in
28 both House Bill 97, 5th edition, and House Bill 97, 7th edition, because of a reduction, in total
29 or in part, in the funds used to support the job or its responsibilities shall, as soon as practicable
30 and in accordance with reduction in force policies, be provided written notification of
31 termination of employment 30 days prior to the effective date of the termination.

32 **SECTION 1.(e)** State agencies shall not make grant awards with that portion of
33 funds that is subject to proposed budget reductions in House Bill 97, 5th edition, House Bill 97,
34 7th edition, or both.



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1 **SECTION 1.(f)** Except as otherwise provided by this act, the limitations and
2 directions for the 2014-2015 fiscal year in S.L. 2013-360, as amended, and in S.L. 2014-100, as
3 amended, that applied to appropriations to particular agencies or for particular purposes apply
4 to the funds appropriated and authorized for expenditure under this section.

5 **SECTION 1.(g)** Funds that would not otherwise revert that were appropriated on a
6 nonrecurring basis in prior fiscal years shall remain available for expenditure in the 2015-2016
7 fiscal year.

8 9 **EMPLOYEE SALARIES**

10 **SECTION 2.(a)** The salary schedules and specific salaries established for the
11 2014-2015 fiscal year by or under S.L. 2014-100 and in effect on June 30, 2015, for offices and
12 positions shall remain in effect until the effective date of the Current Operations and Capital
13 Improvements Appropriations Act of 2015.

14 **SECTION 2.(b)** State employees subject to G.S. 7A-102(c), 7A-171.1, or 20-187.3
15 shall not move up on salary schedules or receive automatic increases, including automatic step
16 increases, until authorized by the General Assembly.

17 **SECTION 2.(c)** State employees, including those exempt from the classification
18 and compensation rules established by the State Human Resources Commission, shall not
19 receive any automatic step increases, annual, performance, merit, bonuses, or other increments
20 until authorized by the General Assembly.

21 **SECTION 2.(d)** Public school employees paid on the teacher salary schedule or
22 school-based administrator salary schedule and other employees shall not move up on salary
23 schedules or receive automatic step increases, annual, performance, merit, or other increments
24 until authorized by the General Assembly, except that effective July 1, 2015, (i) the monthly
25 salary on the "A" salary schedule that corresponds to zero to four years of experience shall be
26 three thousand five hundred dollars (\$3,500) rather than three thousand three hundred dollars
27 (\$3,300), (ii) a teacher who received a bonus under section 9.1(e) of S.L. 2014-100 shall not be
28 paid less pursuant to this section than the teacher was paid in salary and bonus for the
29 2014-2015 school year, and (iii) a school administrator who received a bonus under section
30 9.11(i) of S.L. 2014-100 shall not be paid less pursuant to this section than the school
31 administrator was paid in salary and bonus for the 2014-2015 school year.

32 33 **SALARY-RELATED CONTRIBUTIONS**

34 **SECTION 3.(a)** The State's employer contribution rates budgeted for retirement
35 and related benefits for the 2015-2016 fiscal year shall be as provided for in Section 35.15 of
36 S.L. 2013-360 and Section 35.13 of S.L. 2014-100.

37 **SECTION 3.(b)** The State's employer contribution rates established by this section
38 are effective until the Current Operations and Capital Improvements Appropriations Act of
39 2015 becomes law and are subject to revision in that act. If the Current Operations and Capital
40 Improvements Appropriations Act of 2015 modifies these rates, the Director of the Budget
41 shall further modify the rates set in that act for the remainder of the 2015-2016 fiscal year so as
42 to compensate for the different amount contributed between July 1, 2015, and the date the
43 Current Operations and Capital Improvements Appropriations Act of 2015 becomes law so that
44 the effective rates for the entire year reflect the rates set in the Current Operations and Capital
45 Improvements Appropriations Act of 2015.

46 47 **FUNDS SHALL NOT REVERT**

48 **SECTION 4.(a)** If the provisions of either House Bill 97, 5th edition, House Bill
49 97, 7th edition, or both direct that funds shall not revert, the funds shall not revert on June 30,
50 2015. Unless these funds are encumbered on or before June 30, 2015, these funds shall not be
51 expended after June 30, 2015, except as provided by a law enacted after June 30, 2015.



1 **SECTION 4.(b)** This section becomes effective June 30, 2015.

2
3 **STATE CONTROLLER SHALL NOT TRANSFER FUNDS ON JUNE 30**

4 **SECTION 5.(a)** Notwithstanding G.S. 143C-4-3, for the 2014-2015 fiscal year
5 only, funds shall not be reserved to the Repairs and Renovations Reserve Account, and the
6 State Controller shall not transfer funds from the unreserved credit balance to the Repairs and
7 Renovation Reserve Account on June 30, 2015.

8 **SECTION 5.(b)** Notwithstanding G.S. 143C-4-2, for the 2014-2015 fiscal year
9 only, funds shall not be reserved to the Savings Reserve Account, and the State Controller shall
10 not transfer funds from the unreserved credit balance to the Savings Reserve Account on June
11 30, 2015.

12 **SECTION 5.(c)** This section becomes effective June 30, 2015.

13
14 **FEDERAL BLOCK GRANTS**

15 **SECTION 6.** The Director of the Budget shall continue to allocate federal block
16 grant funds at the levels provided in Section 12J.1 of S.L. 2014-100, Section 15.14 of S.L.
17 2013-360, and as otherwise provided by law, and appropriations from federal block grants are
18 hereby made.

19
20 **PUBLIC SCHOOLS**

21 **SECTION 7.(a)** Effective July 1, 2015, there is appropriated from the General
22 Fund to the Department of Public Instruction the sum of one hundred million two hundred
23 thirty-six thousand five hundred forty-two dollars (\$100,236,542) for the 2015-2016 fiscal year
24 to fully fund changes in average daily membership in public schools, subject to adjustment by
25 the General Assembly. Local boards of education shall use funds available to them, including a
26 fee for instruction charged to students pursuant to G.S. 115C-216(g), to offer noncredit driver
27 education courses in high schools. Local school administrative units may transfer funds
28 between allotment categories under G.S. 115C-105.25.

29 **SECTION 7.(b)** Notwithstanding G.S. 115C-238.51A(c) and G.S. 115C-238.54,
30 the Watauga Career Academy, Pitt Early College, Wilson Academy of Applied Technology,
31 Academy at High Point Central, the Academy at Ben L. Smith High School, STEM Early
32 College at NC A&T State University, Middle College at the University of North Carolina at
33 Greensboro, Vernon Malone College and Career Academy, and the Northeast Regional School
34 of Biotechnology and Agriscience shall be permitted to operate in accordance with
35 G.S. 115C-238.53 and G.S. 115C-238.54 as cooperative innovative high schools approved
36 under G.S. 115C-238.51A(c) and shall be subject to the evaluation requirements of
37 G.S. 115C-238.55.

38
39 **MEDICAID STATE PLAN AMENDMENTS AND WAIVERS**

40 **SECTION 8.** To achieve the proposed budget reductions or expansions for the
41 2015-2017 fiscal biennium, the Department of Health and Human Services (Department) shall
42 prepare the necessary State plan amendments and waivers for the Centers for Medicare and
43 Medicaid Services (CMS) that reflect the Medicaid reduction or expansion items in House Bill
44 97, 5th edition, and House Bill 97, 7th edition, so that the State plan amendments and waivers
45 can be submitted to CMS at the earliest possible date after the Current Operations and Capital
46 Improvements Appropriations Act of 2015 becomes law.

47
48 **EFFECTIVE DATE**

49 **SECTION 9.** Except as otherwise provided, this act becomes effective July 1,
50 2015, and expires August 14, 2015, at 11:59 P.M.





SENATE BILL 534: 2015 Continuing Budget Authority

2015-2016 General Assembly

Committee: House Appropriations

Date: June 29, 2015

Prepared by: Committee Staff

Analysis of: Proposed House PCS S534-CSLR-32

SUMMARY: *The Proposed House Committee Substitute for Senate Bill 534 provides continuing budget authority for State governmental operations and expenditures through August 14, 2015.*

SECTION 1. BUDGET CONTINUATION

Section 1(a) authorizes the Director of the Budget to continue to allocate funds for recurring expenditures for operations of State departments, institutions, and agencies at a level not to exceed the level at which operations were authorized on a recurring basis in S.L. 2014-100, as amended. Section 1 also authorizes the allocation of funds for current operating expenditures funded in the FY 2014-2015 budget on a nonrecurring basis if the expenditure is not a State capital project or a grant for a capital project and is funded at the same level in House Bill 97, 5th edition, and House Bill 97, 7th edition. Section 1(a) instructs the Director of the Budget to implement budget reductions set out in House Bill 97, 5th edition, and House Bill 97, 7th edition, that are not in controversy. The section prohibits the Director of the Budget from implementing any transfers set out in either or both editions of House Bill 97.

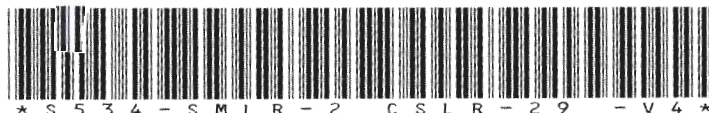
Section 1(b) addresses the appropriation of sufficient State funds, cash balances, federal receipts, and departmental receipts for fiscal year 2015-2016 necessary to carry out the section.

Section 1(c) requires agencies to refrain from filling any vacant positions eliminated in either the House or Senate versions of the budget.

Section 1(d) requires agencies to move forward with procedures to eliminate any positions "reduced-in-force" in both the House and Senate versions of the budget. This includes notifying employees in eliminated positions.

Section 1(e) specifies that grant awards may not be made from funds subject to proposed budget reductions in House Bill 97, 5th edition, or House Bill 97, 7th edition, or both.

Kory Goldsmith
Director



Legislative Drafting
(919) 733-6660

Section 1(f) maintains the limitations and directives for the 2014-2015 fiscal year as contained in S.L. 2013-360 and S.L. 2014-100, unless they are affected by this act.

Section 1(g) clarifies that funds that would otherwise revert that were appropriated on a nonrecurring basis in prior fiscal years remain available for expenditure in 2015-2016.

SECTION 2.

EMPLOYEE SALARIES

Sections 2(a) through (c) freeze all State employee salaries at the FY 2014-2015 level. No step or automatic increases, bonuses, performance, merit or other incremental increases are allowed.

Section 2(d) freezes salaries for all public school employees at FY 2014-15 salary levels except for educators paid on steps zero to four of the statewide teacher salary schedule. Educator who were held harmless in FY 2014-15 and received a monthly bonus in that year will continue to receive that bonus. Similarly, school-based administrators who received a bonus in FY 2014-15 will not be paid less than their FY 2014-15 salary plus bonus. No steps increase or performance, merit, or other increase in salary is provided for other local public school employees.

SECTION 3.

SALARY-RELATED CONTRIBUTIONS

This section keeps retirement, health plan, and other employee benefit program contributions at the levels in place for FY 2014-2015. A similar provision has been included in previous CRs. After a budget is passed, the contributions will be trued up to equal the amount needed for the whole year based on the provisions of that budget.

SECTION 4.

FUNDS SHALL NOT REVERT

Section 4 provides that if the provisions of either House Bill 97, 5th edition, or House Bill 97, 7th edition, or both, direct that funds shall not revert, the funds shall not revert on June 30, 2015. Unless the funds are encumbered on or before June 30, 2015, the funds shall not be expended after June 30, 2015, except as provided by a law enacted after June 30, 2015.

SECTION 5.

STATE CONTROLLER SHALL NOT TRANSFER FUNDS ON 6/30/2015

Section 5 provides that, notwithstanding G.S. 143-15.2 and G.S. 143-15.3A, for the 2004-2005 fiscal year only, funds shall not be reserved to the Repairs and Renovations Reserve Account, and the State Controller shall not transfer funds from the unreserved credit balance to the Repairs and Renovations Reserve Account on June 30, 2015. In addition, notwithstanding G.S. 143-15.2 and G.S. 143-15.3, for the 2014-2015 fiscal year only, funds shall not be reserved to the Savings Reserve Account, and the State Controller shall not transfer funds from the unreserved credit balance to the Savings Reserve Account on June 30, 2015.

SECTION 6.

BLOCK GRANTS

Section 6 provides for the continued appropriation and allocation of federal block grant funds at the levels provided in Section 12J.1 of S.L. 2014-100, Section 15.14 of S.L. 2013-360, and as otherwise provided by law.

SECTION 7.

PUBLIC SCHOOLS

Section 7.(a) appropriates \$100,236,542 to fully fund changes in average daily membership in public schools for FY 2015-16. Additionally, this subsection mirrors existing law with regards to allowable fund sources for driver education courses and the ability of school districts to move funds between allotment categories.

Section 7.(b) authorizes the nine cooperative innovative high school (CIHS) applicants approved by the State Board of Education in December 2014 and March 2015 to begin operating as CIHSs in the 2015-16 school year without an additional appropriation.

SECTION 8.

MEDICAID STATE PLAN AND WAIVERS

Section 8 directs the Department of Health and Human Services to prepare the Medicaid State Plan Amendments and waivers that are necessary for the Medicaid reduction and expansion items in both the House Bill 97, 5th edition, and House Bill 97, 7th edition, so that the State Plan Amendments and waivers can be submitted for federal approval as soon as possible after the final budget becomes law.

SECTION 9.

EFFECTIVE DATE

Section 9 makes the act effective July 1, 2015, with the act expiring on August 14, 2015, at 11:59 P.M.

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

6-29-70 15

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Douglas Holbrook	NCSBA
Adam Prichard	NCSBA
Wing Zoumen	NCAE
Kelli Kukuna	Duke Energy
Solaris	DS
STARVES	DS
Tom West	NCICH
R. J. M.	M & C
Jonathan Babala	Babala + Assoc
Hayden Baugues	FSP
Zane Stimmel	NCSBE



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

6-29-2015

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Daniel Brown	Thompson Jansky
Lexi Morgan Arthur	NCR MA
T J Buzbee	NP
Dana Sykes	SIA
Adam Shoh	DHHS
Mary Catherine Stines	Intern for Stines
Maile Stines	Treasurer
Chris McElme	Breeds Bone
Fred Steen	Gov's office



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

6-29-2015

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Andy Brandon	DPS
Tom Murry	NCAOC
Mary Shuping	NCCCS
Drew Moretz	VNC-GA
Bruce Mldwrt	NCSBA
GARY T KNOX	Citizen
Alex Bowen	CCS
Jay Miller	NCAA
GEORGE COHEN	Nelson Mullins
Nelson Freeman	DOR
Ryan J Minto	Gov's office



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

6-29-2015

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME _____

FIRM OR AGENCY AND ADDRESS

Erica Nelson

NCHA

Lee Teague

NCPCA

Joe McCh

McClees Consu

Hanni McClees

McClees Consulting



**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Appropriations** will meet as follows:

DAY & DATE: Wednesday, July 22, 2015

TIME: 8:30 AM

LOCATION: 643 LOB

COMMENTS: Meeting will also include discussion of HB 97-2015 Appropriations Act.
Interested parties will have the opportunity to speak as time permits.

The following bills will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 338	Fail to Obtain DL/Increase Punishment.	Representative Millis

Respectfully,
Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 11:46 AM on Tuesday, July 21, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Candace Slate (Committee Assistant)



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

2

HOUSE BILL 338
Committee Substitute Favorable 4/21/15

Short Title: Fail to Obtain DL/Increase Punishment.

(Public)

Sponsors:

Referred to:

March 25, 2015

A BILL TO BE ENTITLED
AN ACT TO INCREASE THE PUNISHMENT FOR CERTAIN OFFENSES OF FAILING
TO OBTAIN A DRIVERS LICENSE BEFORE DRIVING A MOTOR VEHICLE.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 20-35 reads as rewritten:

"§ 20-35. Penalties for violating Article; defense to driving without a license.

(a) Penalty. – Except as otherwise provided in ~~subsection (a1) or (a2)~~ subsections (a1) through (a3) of this section, a violation of this Article is a Class 2 misdemeanor unless a statute in the Article sets a different punishment for the violation. If a statute in this Article sets a different punishment for a violation of the Article, the different punishment applies.

(a1) The following offenses are Class 3 misdemeanors:

- (1) ~~Failure~~ Except as provided in subsection (a3) of this section, failure to obtain a license before driving a motor vehicle, in violation of G.S. 20-7(a).
- (2) Failure to comply with license restrictions, in violation of G.S. 20-7(e).
- (3) Permitting a motor vehicle owned by the person to be operated by an unlicensed person, in violation of G.S. 20-34.

...

(a3) A second or subsequent offense of failure to obtain a license before driving a motor vehicle in violation of G.S. 20-7(a) shall be a Class 2 misdemeanor if, at the time of each offense, the person was ineligible to receive a drivers license from the Division because the person did not meet the requirements set forth in G.S. 20-7. Punishment imposed for any offense under this subsection shall include a fine of four hundred dollars (\$400.00).

Notwithstanding G.S. 15A-1340.23, and unless the conduct is prohibited by another provision of law providing for greater punishment, a person convicted of a third or subsequent offense of failure to obtain a license before driving a motor vehicle in violation of G.S. 20-7(a), who at the time of each offense was ineligible to receive a drivers license from the Division because the person did not meet the requirements set forth in G.S. 20-7, (i) may be sentenced to an active sentence of not less than 20 days and not more than 60 days, and (ii) the vehicle that was driven by the person at the time the person committed the third or subsequent offense under this subsection shall become property subject to forfeiture in accordance with the procedure set out in G.S. 20-28.10.

Nothing in this subsection shall be construed as applying to (i) a person who commits an offense under G.S. 20-7(a) for failing to obtain a license before driving a motor vehicle, but is eligible to receive a drivers license from the Division at the time of the offense, or (ii) a person driving a motor vehicle with a revoked or suspended license.

...."



1 **SECTION 2.** Article 2 of Chapter 20 of the General Statutes is amended by adding
2 a new section to read:

3 **"§ 20-28.10. Seizure, impoundment, forfeiture of motor vehicles for certain offenses of**
4 **failing to obtain a license before driving a motor vehicle.**

5 (a) Authority. – If a person is convicted of a third or subsequent offense of failure to
6 obtain a license before driving a motor vehicle in violation of G.S. 20-7(a), and that offense is
7 punishable under G.S. 20-35(a3), the vehicle that was driven by the person at the time the
8 person committed offense shall become property subject to seizure, impoundment, and
9 forfeiture.

10 (b) Governing Law and Procedures. – The laws and procedures governing the seizure,
11 impoundment, and forfeiture of vehicles under this section shall be the same as those set forth
12 in G.S. 20-28.2 through G.S. 20-28.9 and G.S. 20-54.1. Wherever those statutes refer to a
13 particular underlying offense, they shall, for purposes of this section, be construed to refer to
14 the applicable violation of G.S. 20-35(a3). Furthermore, for purposes of this section, an
15 innocent owner shall be a person who did not know and had no reason to know that the
16 defendant was engaging in a violation of G.S. 20-35(a3)."

17 **SECTION 3.** This act becomes effective December 1, 2015, and applies to
18 offenses committed on or after that date.

MINUTES
HOUSE COMMITTEE ON APPROPRIATIONS

Wednesday, July 22, 2015

8:30 a.m.

Legislative Office Building, Room 643

ATTENDEES:

Chairmen: Dollar, L. Johnson, Lambeth, McGrady

Vice Chairmen: Arp, Avila, Boles, Brawley, Brisson, B. Brown, R. Brown, Cleveland, Daughtry, Dixon, Faircloth, Hardister, Hurley, Iler, McElraft, Presnell, Riddell, Shepard, Tine, Torbett

Members: Adcock, Ager, L. Bell, Brockman, Brody, Bumgardner, Catlin, Conrad, Farmer-Butterfield, Fisher, Floyd, Ford, Fraley, Gill, Glazier, G. Graham, Hunter, Insko, Jackson, Johnson, Langdon, Lucas, G. Martin, McNeill, Millis, Pendleton, Pierce, Pittman, Richardson, Speciale, Stam, B. Turner, R. Turner, Watford, Whitmire, Willingham, Yarborough

I. Call to Order

Senior Chair, Nelson Dollar presided and called the meeting to order at 8:34 a.m.

II. Introductions

Chairman Dollar introduced students who were serving as pages and the Sargeant-at-Arms staff assisting with the meeting.

III. Action Agenda Item

A. HB 338 Fail to Obtain DL/Increase Punishment

B. PCS H338-CSSA-81 [v.3]

Chairman Dollar called upon Representative Chris Millis to review PCS H338-CSSA-81 [v.3] that would increase the punishment for certain offenses of failing to obtain a drivers license before driving a motor vehicle.

Questions and comments were received from the following committee members:
Representatives Jackson, Insko, Fisher, Glazier and Torbett.

Representative George Cleveland moved favorable to Committee Substitute H338-CSSA-81 No. 2, unfavorable to Proposed Committee Substitute H338-CSSA-81 No. 1. The motion passed. The clerk recorded the votes by a show of hands: 36 voting aye, 16 voting no.

IV. Discussion Item

A. HB97: 2015 Appropriations Act

Dr. Barry Boardman, Fiscal Research Division, presented to the committee a report on General Fund Revenue and Cumulative Revenue Changes. Chairman Dollar opened the floor for questions. Dr. Boardman received questions from:



Representatives Stam, Insko, Avila, Daughtry, Brawley, Dollar, Fisher, Pendleton, Yarborough, Catlin, Riddell, Bumgardner and Iler.

V. Comments from the Public

Chairman Dollar allowed comments from the public. The following persons addressed the committee:

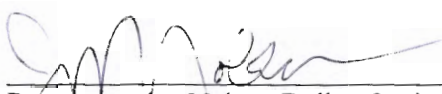
Jill Swaim, Mayor of Huntersville, regarding funding of transportation needs
Darrell Hinnant, Mayor of Kannapolis, urging support of historic tax credits
Nancy Vaughan, Mayor of Greensboro, continuation of JDIG funding
Liz Johnson, Mayor Pro Tempore of Morrisville
Dr. Ron Hargrave, Superintendent of Scotland County Schools
Dr. Lory Morrow, Superintendent of Davidson County Schools

VI. Announcements

Chairman Dollar announced that the House Appropriations Committee would meet on Wednesday, July 29th at 8:30 a.m.

VII. Adjournment

The House Committee on Appropriations adjourned at 10:04 a.m.


Representative Nelson Dollar, Senior Chair


Panthea Briles, Committee Clerk

**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

APPROPRIATIONS COMMITTEE REPORT

Representative Nelson Dollar, Senior Chair

Representative Linda P. Johnson, Co-Chair

Representative Donny Lambeth, Co-Chair

Representative Chuck McGrady, Co-Chair

FAVORABLE COM SUB NO. 2, UNFAVORABLE COM SUB NO. 1 3

HB 338 (CS#1)

(CS#3)

Fail to Obtain DL/Increase Punishment.

Draft Number: H338-PCS40493-SA-81

Serial Referral: None

Recommended Referral: None

Long Title Amended: No

Floor Manager: Millis

TOTAL REPORTED: 1



*** C M R 5 2 9 - V - 1 ***



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

D

HOUSE BILL 338
Committee Substitute Favorable 4/21/15
PROPOSED COMMITTEE SUBSTITUTE H338-CSSA-81 [v.3]

7/21/2015 5:57:02 PM

Short Title: Fail to Obtain DL/Increase Punishment.

(Public)

Sponsors:

Referred to:

March 25, 2015

A BILL TO BE ENTITLED
AN ACT TO INCREASE THE PUNISHMENT FOR CERTAIN OFFENSES OF FAILING
TO OBTAIN A DRIVERS LICENSE BEFORE DRIVING A MOTOR VEHICLE.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 20-35 reads as rewritten:

"§ 20-35. Penalties for violating Article; defense to driving without a license.

(a) Penalty. – Except as otherwise provided in ~~subsection (a1) or (a2)~~ subsections (a1) through (a3) of this section, a violation of this Article is a Class 2 misdemeanor unless a statute in the Article sets a different punishment for the violation. If a statute in this Article sets a different punishment for a violation of the Article, the different punishment applies.

(a1) The following offenses are Class 3 misdemeanors:

- (1) ~~Failure~~ Except as provided in subsection (a3) of this section, failure to obtain a license before driving a motor vehicle, in violation of G.S. 20-7(a).
- (2) Failure to comply with license restrictions, in violation of G.S. 20-7(e).
- (3) Permitting a motor vehicle owned by the person to be operated by an unlicensed person, in violation of G.S. 20-34.

...

(a3) A second or subsequent offense of failure to obtain a license before driving a motor vehicle in violation of G.S. 20-7(a) shall be a Class 2 misdemeanor if, at the time of each offense, the person was ineligible to receive a drivers license from the Division because the person did not meet the requirements set forth in G.S. 20-7. Punishment imposed for any offense under this subsection shall include a fine of four hundred dollars (\$400.00).

(a4) Notwithstanding G.S. 15A-1340.23, and unless the conduct is prohibited by another provision of law providing for greater punishment, a person convicted of a third or subsequent offense of failure to obtain a license before driving a motor vehicle in violation of G.S. 20-7(a), who at the time of each offense was ineligible to receive a drivers license from the Division because the person did not meet the requirements set forth in G.S. 20-7, (i) may be sentenced to an active sentence of not less than 20 days and not more than 60 days, and (ii) the vehicle that was driven by the person at the time the person committed the third or subsequent offense under this subsection shall become property subject to forfeiture in accordance with the procedure set out in G.S. 20-28.2, 20-28.3, 20-28.4, and 20-28.5.

(a5) Nothing in subsection (a3) or (a4) of this section shall be construed as applying to (i) a person who commits an offense under G.S. 20-7(a) for failing to obtain a license before driving a motor vehicle, but is eligible to receive a drivers license from the Division at the time of the offense, or (ii) a person driving a motor vehicle with a revoked or suspended license.



* H 3 3 8 - C S S A - B 1 - V - 3 *

...."

SECTION 2. G.S. 20-28.2 reads as rewritten:

"§ 20-28.2. **Forfeiture of motor vehicle for impaired driving after impaired driving license revocation; ~~forfeiture for revocation~~, felony speeding to elude arrest, or certain offenses of failure to obtain a license before driving a motor vehicle.**

(a) Meaning of "Impaired Driving License Revocation". – The revocation of a person's drivers license is an impaired driving license revocation if the revocation is pursuant to:

- (1) G.S. 20-13.2, 20-16(a)(8b), 20-16.2, 20-16.5, 20-17(a)(2), 20-17(a)(12), or 20-138.5; or
- (2) G.S. 20-16(a)(7), 20-17(a)(1), 20-17(a)(3), 20-17(a)(9), or 20-17(a)(11), if the offense involves impaired driving; or
- (3) The laws of another state and the offense for which the person's license is revoked prohibits substantially similar conduct which if committed in this State would result in a revocation listed in subdivisions (1) or (2).

(a1) Definitions. – As used in this section and in G.S. 20-28.3, 20-28.4, 20-28.5, 20-28.7, 20-28.8, 20-28.9, 20-35(a4), 20-54.1, and 20-141.5, the following terms mean:

(1) Fair Market Value. – The value of the seized motor vehicle, as determined in accordance with the schedule of values adopted by the Commissioner pursuant to G.S. 105-187.3.

(1a) Impaired Driving Acknowledgment. – A written document acknowledging that:

a. The motor vehicle was operated by a person charged with an offense involving impaired driving, and:

1. That person's drivers license was revoked as a result of a prior impaired drivers license revocation; or
2. That person did not have a valid drivers license, and did not have liability insurance.

b. If the motor vehicle is again operated by this particular person, and the person is charged with an offense involving impaired driving, then the vehicle is subject to impoundment and forfeiture if (i) the offense occurs while that person's drivers license is revoked, or (ii) the offense occurs while the person has no valid drivers license, and has no liability insurance.

c. A lack of knowledge or consent to the operation will not be a defense in the future, unless the motor vehicle owner has taken all reasonable precautions to prevent the use of the motor vehicle by this particular person and immediately reports, upon discovery, any unauthorized use to the appropriate law enforcement agency.

(2) Innocent Owner. – A motor vehicle owner:

a. Who, if the offense resulting in seizure was an impaired driving offense, did not know and had no reason to know that (i) the defendant's drivers license was revoked, or (ii) that the defendant did not have a valid drivers license, and that the defendant had no liability insurance; or

b. Who, if the offense resulting in seizure was an impaired driving offense, knew that (i) the defendant's drivers license was revoked, or (ii) that the defendant had no valid drivers license, and that the defendant had no liability insurance, but the defendant drove the vehicle without the person's expressed or implied permission, and the owner files a police report for unauthorized use of the motor vehicle

- and agrees to prosecute the unauthorized operator of the motor vehicle, or who, if the offense resulting in seizure was a felony speeding to elude arrest offense, did not give the defendant express or implied permission to drive the vehicle, and the owner files a police report for unauthorized use of the motor vehicle and agrees to prosecute the unauthorized operator of the motor vehicle; or
- c. Whose vehicle was reported stolen; or
- d. Repealed by Session Laws 1999-406, s. 17.
- e. Who is (i) a rental car company as defined in G.S. 66-201(a) and the vehicle was driven by a person who is not listed as an authorized driver on the rental agreement as defined in G.S. 66-201; or (ii) a rental car company as defined in G.S. 66-201(a) and the vehicle was driven by a person who is listed as an authorized driver on the rental agreement as defined in G.S. 66-201 and if the offense resulting in seizure was an impaired driving offense, the rental car company has no actual knowledge of the revocation of the renter's drivers' license at the time the rental agreement is entered, or if the offense resulting in seizure was a felony speeding to elude arrest offense, the rental agreement expressly prohibits use of the vehicle while committing a felony; or
- f. Who is in the business of leasing motor vehicles, who holds legal title to the motor vehicle as a lessor at the time of seizure and, if the offense resulting in seizure was an impaired driving offense, who has no actual knowledge of the revocation of the lessee's drivers license at the time the lease is ~~entered~~entered; or
- g. Who, if the offense resulting in seizure was a failure to obtain a license before driving a motor vehicle punishable by G.S. 20-35(a4), did not know and had no reason to know that the defendant did not have a drivers license and was ineligible to receive a drivers license because the defendant did not meet the requirements set forth in G.S. 20-7; or
- h. Who, if the offense resulting in seizure was a failure to obtain a license before driving a motor vehicle punishable by G.S. 20-35(a4), knew that the defendant did not have a drivers license and was ineligible to receive a drivers license because the defendant did not meet the requirements set forth in G.S. 20-7, but the defendant drove the vehicle without the person's expressed or implied permission, and the owner files a police report for unauthorized operation of the motor vehicle and agrees to prosecute the unauthorized operator of the motor vehicle.
- (2a) Insurance Company. – Any insurance company that has coverage on or is otherwise liable for repairs or damages to the motor vehicle at the time of the seizure.
- (2b) Insurance Proceeds. – Proceeds paid under an insurance policy for damage to a seized motor vehicle less any payments actually paid to valid lienholders and for towing and storage costs incurred for the motor vehicle after the time the motor vehicle became subject to seizure.
- (3) Lienholder. – A person who holds a perfected security interest in a motor vehicle at the time of seizure.
- (3a) Motor Vehicle Owner. – A person in whose name a registration card or certificate of title for a motor vehicle is issued at the time of seizure.

(3b) No Drivers License Acknowledgment. - A written document acknowledging that:

- a. The motor vehicle was operated by a person charged with an offense of failure to obtain a license before driving a motor vehicle in violation of G.S. 20-7(a) and both of the following conditions exist:
 1. That person is ineligible to receive a drivers license because the person did not meet the requirements set forth in G.S. 20-7.
 2. That person has at least two prior convictions for the same offense and at the time of each offense was ineligible to receive a drivers license because the person did not meet the requirements set forth in G.S. 20-7.
- b. If the motor vehicle is again operated by this particular person, the person is charged with an offense of failure to obtain a license before driving a motor vehicle in violation of G.S. 20-7(a), and the person is ineligible to receive a drivers license because the person does not meet the requirements set forth in G.S. 20-7, then the vehicle is subject to impoundment and forfeiture.
- c. A lack of knowledge or consent to the operation will not be a defense in the future, unless the motor vehicle owner has taken all reasonable precautions to prevent the use of the motor vehicle by this particular person and immediately reports, upon discovery, any unauthorized use to the appropriate law enforcement agency.

(4) Order of Forfeiture. - An order by the court which terminates the rights and ownership interest of a motor vehicle owner in a motor vehicle and any insurance proceeds or proceeds of sale in accordance with G.S. 20-28.2.

(5) Repealed by Session Laws 1998-182, s. 2.

(6) Registered Owner. - A person in whose name a registration card for a motor vehicle is issued at the time of seizure.

(7) Repealed by Session Laws 1998-182, s. 2.

(8) Speeding to Elude Arrest Acknowledgment. - A written document acknowledging that:

- a. The motor vehicle was operated by a person charged with felony speeding to elude arrest pursuant to G.S. 20-141.5(b) or (b1).
- b. If the motor vehicle is again operated by this particular person and the person is charged with felony speeding to elude arrest pursuant to G.S. 20-141.5(b) or (b1), then the vehicle is subject to impoundment and forfeiture.
- c. A lack of knowledge or consent to the operation will not be a defense in the future unless the motor vehicle owner has taken all reasonable precautions to prevent the use of the motor vehicle by this particular person and immediately reports upon discovery any unauthorized use to the appropriate law enforcement agency.

...

(b3) When a Motor Vehicle Becomes Property Subject to Order of Forfeiture; Failure to Obtain a License before Driving a Motor Vehicle. - A judge may determine whether the vehicle driven by a person without a license at the time of the offense becomes subject to an order of forfeiture. The determination may be made at any of the following times:

- (1) A sentencing hearing for the offense of failure to obtain a license before driving a motor vehicle.
- (2) A separate hearing after conviction of the defendant.

- (3) A forfeiture hearing held at least 60 days after the defendant failed to appear at the scheduled trial for the underlying offense, and the defendant's order of arrest for failing to appear has not been set aside.

The vehicle shall become subject to an order of forfeiture if the greater weight of the evidence shows that the defendant is guilty of failure to obtain a license before driving a motor vehicle in violation of G.S. 20-7(a) and is punishable pursuant to G.S. 20-35(a4).

...

(e) Release of Vehicle to Innocent Motor Vehicle Owner. – At a forfeiture hearing, if a nondefendant motor vehicle owner establishes by the greater weight of the evidence that: (i) the motor vehicle was being driven by a person who was not the only motor vehicle owner or had no ownership interest in the motor vehicle at the time of the underlying offense and (ii) the petitioner is an "innocent owner", as defined by this section, a judge shall order the motor vehicle released to that owner, conditioned upon payment of all towing and storage charges incurred as a result of the seizure and impoundment of the motor vehicle.

Release to an innocent owner shall only be ordered upon satisfactory proof of:

- (1) The identity of the person as a motor vehicle owner;
- (2) The existence of financial responsibility to the extent required by Article 13 of this Chapter or by the laws of the state in which the vehicle is registered; and
- (3) Repealed by Session Laws 1998-182, s. 2, effective December 1, 1998.
- (4) The execution of one of the following:
 - a. An impaired driving acknowledgment as defined in subdivision (a1)(1a) of this section if the seizure was for an offense involving ~~impaired driving; or driving.~~
 - b. A speeding to elude arrest acknowledgment as defined in subdivision (a1)(8) of this section if the seizure was for violation of G.S. 20-141.5(b) or (b1).
 - c. A no drivers license acknowledgment as defined in subdivision (a1)(3b) of this section if the seizure was for a violation of G.S. 20-7(a) punishable by G.S. 20-35(a4).

If the nondefendant owner is a lessor, the release shall also be conditioned upon the lessor agreeing not to sell, give, or otherwise transfer possession of the forfeited motor vehicle to the defendant or any person acting on the defendant's behalf. A lessor who refuses to sell, give, or transfer possession of a seized motor vehicle to the defendant or any person acting on the behalf of the defendant shall not be liable for damages arising out of the refusal.

No motor vehicle subject to forfeiture under this section shall be released to a nondefendant motor vehicle owner if the records of the Division indicate the motor vehicle owner had previously signed an impaired driving ~~acknowledgment or acknowledgment,~~ a speeding to elude arrest acknowledgment, or a no drivers license acknowledgment, as required by this section, and the same person was operating the motor vehicle at the time of the current seizure unless the innocent owner shows by the greater weight of the evidence that the motor vehicle owner has taken all reasonable precautions to prevent the use of the motor vehicle by this particular person and immediately reports, upon discovery, any unauthorized use to the appropriate law enforcement agency. A determination by the court at the forfeiture hearing held pursuant to subsection (d) of this section that the petitioner is not an innocent owner is a final judgment and is immediately appealable to the Court of Appeals.

..."

SECTION 3. G.S. 20-28.3 reads as rewritten:

"§ 20-28.3. Seizure, impoundment, forfeiture of motor vehicles for offenses involving impaired driving while license revoked or without license and insurance, and

for felony speeding to elude ~~arrest~~, arrest, and for certain offenses of failure to obtain a license before driving a motor vehicle.

(a) Motor Vehicles Subject to Seizure for Impaired Driving Offenses. –

A motor vehicle that is driven by a person who is charged with an offense involving impaired driving is subject to seizure if:

(1) At the time of the violation, the drivers license of the person driving the motor vehicle was revoked as a result of a prior impaired driving license revocation as defined in G.S. 20-28.2(a); or

(2) At the time of the violation:

a. The person was driving without a valid drivers license, and

b. The driver was not covered by an automobile liability policy.

For the purposes of this subsection, a person who has a complete defense, pursuant to G.S. 20-35, to a charge of driving without a drivers license, shall be considered to have had a valid drivers license at the time of the violation.

(a1) Motor Vehicles Subject to Seizure for Felony Speeding to Elude Arrest. – A motor vehicle is subject to seizure if it is driven by a person who is charged with the offense of felony speeding to elude arrest pursuant to G.S. 20-141.5(b) or (b1).

(a2) Motor Vehicles Subject to Seizure for Certain Offenses of Failure to Obtain a License before Driving a Motor Vehicle. – A motor vehicle is subject to seizure if it is driven by a person who is charged with a third or subsequent offense of failure to obtain a license before driving a motor vehicle that is punishable by G.S. 20-35(a4).

...

(e) Release of Motor Vehicle Pending Trial. – A motor vehicle owner, other than the driver at the time of the underlying offense resulting in the seizure, may apply to the clerk of superior court in the county where the charges are pending for pretrial release of the motor vehicle.

The clerk shall release the motor vehicle to a nondefendant motor vehicle owner conditioned upon payment of all towing and storage charges incurred as a result of seizure and impoundment of the motor vehicle under the following conditions:

(1) The motor vehicle has been seized for not less than 24 hours;

(2) Repealed by Session Laws 1998-182, s. 3, effective December 1, 1998.

(3) A bond in an amount equal to the fair market value of the motor vehicle as defined by G.S. 20-28.2 has been executed and is secured by a cash deposit in the full amount of the bond, by a recordable deed of trust to real property in the full amount of the bond, by a bail bond under G.S. 58-71-1(2), or by at least one solvent surety, payable to the county school fund and conditioned on return of the motor vehicle, in substantially the same condition as it was at the time of seizure and without any new or additional liens or encumbrances, on the day of any hearing scheduled and noticed by the district attorney under G.S. 20-28.2(c), unless the motor vehicle has been permanently released;

(4) Execution of ~~either one of the following:~~

a. An impaired driving acknowledgment as described in G.S. 20-28.2(a1)(1a) if the seizure was for an offense involving impaired ~~driving; or driving.~~

b. A speeding to elude arrest acknowledgment as defined in G.S. 20-28.2(a1)(8) if the seizure was for violation of G.S. 20-141.5(b) or (b1).

c. A no drivers license acknowledgment as defined in subdivision (a1)(3b) of this section if the seizure was for a violation of G.S. 20-7(a) punishable by G.S. 20-35(a4).

- 1 (5) A check of the records of the Division indicates that the requesting motor
2 vehicle owner has not previously executed an acknowledgment naming the
3 operator of the seized motor vehicle; and
4 (6) A bond posted to secure the release of this motor vehicle under this
5 subsection has not been previously ordered forfeited under G.S. 20-28.5.

6 In the event a nondefendant motor vehicle owner who obtains temporary possession of a
7 seized motor vehicle pursuant to this subsection does not return the motor vehicle on the day of
8 the forfeiture hearing as noticed by the district attorney under G.S. 20-28.2(c) or otherwise
9 violates a condition of pretrial release of the seized motor vehicle as set forth in this subsection,
10 the bond posted shall be ordered forfeited and an order of seizure shall be issued by the court.
11 Additionally, a nondefendant motor vehicle owner or lienholder who willfully violates any
12 condition of pretrial release may be held in civil or criminal contempt.

13 ...

14 (e2) Pretrial Release of Motor Vehicle to Defendant Owner. –

- 15 (1) If the seizure was for an offense involving impaired driving, a defendant
16 motor vehicle owner may file a petition with the clerk of court seeking a
17 pretrial determination that the defendant's license was not revoked pursuant
18 to an impaired driving license revocation as defined in G.S. 20-28.2(a). The
19 clerk shall schedule a hearing before a judge of the division in which the
20 underlying criminal charge is pending for a hearing to be held within 10
21 business days or as soon thereafter as may be feasible. Notice of the hearing
22 shall be given to the defendant, the district attorney, and the attorney for the
23 county board of education. The clerk shall forward a copy of the petition to
24 the district attorney for the district attorney's review. If, based on available
25 information, the district attorney determines that the defendant's motor
26 vehicle is not subject to forfeiture, the district attorney may note the State's
27 consent to the release of the motor vehicle on the petition and return the
28 petition to the clerk of court who shall enter an order releasing the motor
29 vehicle to the defendant upon payment of all towing and storage charges
30 incurred as a result of the seizure and impoundment of the motor vehicle,
31 subject to the satisfactory proof of the identity of the defendant as a motor
32 vehicle owner and the existence of financial responsibility to the extent
33 required by Article 13 of this Chapter, and no hearing shall be held. The
34 clerk shall send a copy of the order of release to the attorney for the county
35 board of education. At any pretrial hearing conducted pursuant to this
36 subdivision, the court is not required to determine the issue of the underlying
37 offense of impaired driving only the existence of a prior drivers license
38 revocation as an impaired driving license revocation. Accordingly, the State
39 shall not be required to prove the underlying offense of impaired driving. An
40 order issued under this subdivision finding that the defendant failed to
41 establish that the defendant's license was not revoked pursuant to an
42 impaired driving license revocation as defined in G.S. 20-28.2(a) may be
43 reconsidered by the court as part of the forfeiture hearing conducted
44 pursuant to G.S. 20-28.2(d).
45 (2) If the seizure was for a felony speeding to elude arrest offense, a defendant
46 motor vehicle owner may apply to the clerk of superior court in the county
47 where the charges are pending for pretrial release of the motor vehicle. The
48 clerk shall release the motor vehicle to the defendant motor vehicle owner
49 conditioned upon payment of all towing and storage charges incurred as a
50 result of seizure and impoundment of the motor vehicle under the following
51 conditions:

- 1 a. The motor vehicle has been seized for not less than 24 hours;
2 b. A bond in an amount equal to the fair market value of the motor
3 vehicle as defined by G.S. 20-28.2 has been executed and is secured
4 by a cash deposit in the full amount of the bond, by a recordable deed
5 of trust to real property in the full amount of the bond, by a bail bond
6 under G.S. 58-71-1(2), or by at least one solvent surety, payable to
7 the county school fund and conditioned on return of the motor
8 vehicle, in substantially the same condition as it was at the time of
9 seizure and without any new or additional liens or encumbrances, on
10 the day of any hearing scheduled and noticed by the district attorney
11 under G.S. 20-28.2(c), unless the motor vehicle has been
12 permanently released;
13 c. A bond posted to secure the release of this motor vehicle under this
14 subdivision has not been previously ordered forfeited under G.S.
15 20-28.5.

16 In the event a defendant motor vehicle owner who obtains temporary
17 possession of a seized motor vehicle pursuant to this subdivision does not
18 return the motor vehicle on the day of the forfeiture hearing as noticed by the
19 district attorney under G.S. 20-28.2(c) or otherwise violates a condition of
20 pretrial release of the seized motor vehicle as set forth in this subdivision,
21 the bond posted shall be ordered forfeited, and an order of seizure shall be
22 issued by the court. Additionally, a defendant motor vehicle owner who
23 willfully violates any condition of pretrial release may be held in civil or
24 criminal contempt.

- 25 (3) If the seizure was for an offense of failure to obtain a license before
26 operating a motor vehicle, a defendant motor vehicle owner may file a
27 petition with the clerk of court seeking a pretrial determination that the
28 defendant does not have at least two prior convictions of failure to obtain a
29 license before operating a motor vehicle. The clerk shall schedule a hearing
30 before a judge of the division in which the underlying criminal charge is
31 pending for a hearing to be held within 10 business days or as soon
32 thereafter as may be feasible. Notice of the hearing shall be given to the
33 defendant, the district attorney, and the attorney for the county board of
34 education. The clerk shall forward a copy of the petition to the district
35 attorney for the district attorney's review. If, based on available information,
36 the district attorney determines that the defendant's motor vehicle is not
37 subject to forfeiture, the district attorney may note the State's consent to the
38 release of the motor vehicle on the petition and return the petition to the
39 clerk of court who shall enter an order releasing the motor vehicle to the
40 defendant upon payment of all towing and storage charges incurred as a
41 result of the seizure and impoundment of the motor vehicle, subject to the
42 satisfactory proof of the identity of the defendant as a motor vehicle owner
43 and the existence of financial responsibility to the extent required by Article
44 13 of this Chapter, and no hearing shall be held. The clerk shall send a copy
45 of the order of release to the attorney for the county board of education. At
46 any pretrial hearing conducted pursuant to this subdivision, the court is not
47 required to determine the issue of the underlying offense of failure to obtain
48 a license before driving a motor vehicle, only the existence of two or more
49 prior convictions of failure to obtain a license before operating a motor
50 vehicle. Accordingly, the State shall not be required to prove the underlying
51 offense of failure to obtain a license before operating a motor vehicle. An

1 order issued under this subdivision finding that the defendant failed to
2 establish that the defendant did not have two or more prior convictions for
3 failure to obtain a license before operating a motor vehicle may be
4 reconsidered by the court as part of the forfeiture hearing conducted
5 pursuant to G.S. 20-28.2(d).

6 ..."

7 **SECTION 4.** G.S. 20-28.8 reads as rewritten:

8 **"§ 20-28.8. Reports to the Division.**

9 In any case in which a vehicle has been seized pursuant to G.S. 20-28.3, in addition to any
10 other information that must be reported pursuant to this Chapter, the clerk of superior court
11 shall report to the Division by electronic means the execution of an impaired driving
12 acknowledgment as defined in G.S. 20-28.2(a1)(1a), a speeding to elude arrest
13 acknowledgment as defined in G.S. 20-28.2(a1)(8), a no drivers license acknowledgment as
14 defined in G.S. 20-28.2(a1)(3b), the entry of an order of forfeiture as defined in G.S.
15 20-28.2(a1)(4), and the entry of an order of release as defined in G.S. 20-28.3 and G.S. 20-28.4.
16 Each report shall include any of the following information that has not previously been reported
17 to the Division in the case: the name, address, and drivers license number of the defendant; the
18 name, address, and drivers license number of the nondefendant motor vehicle owner, if known;
19 and the make, model, year, vehicle identification number, state of registration, and vehicle
20 registration plate number of the seized vehicle, if known."

21 **SECTION 5.** G.S. 20-54.1 reads as rewritten:

22 **"§ 20-54.1. Forfeiture of right of registration.**

23 (a) Upon receipt of notice of conviction of a violation of an offense involving impaired
24 driving while the person's license is revoked as a result of a prior impaired driving license
25 revocation as defined in G.S. 20-28.2, the Division shall revoke the registration of all motor
26 vehicles registered in the convicted person's name and shall not register a motor vehicle in the
27 convicted person's name until the convicted person's license is restored, except in such cases to
28 abide by the ignition interlock installation requirements of G.S. 20-17.8. Upon receipt of notice
29 of revocation of registration from the Division, the convicted person shall surrender the
30 registration on all motor vehicles registered in the convicted person's name to the Division
31 within 10 days of the date of the notice.

32 (a1) Upon receipt of notice of conviction of a felony speeding to elude arrest offense
33 under G.S. 20-141.5(b) or (b1), the Division shall revoke the registration of all motor vehicles
34 registered in the convicted person's name and shall not register a motor vehicle in the convicted
35 person's name until the convicted person's license is restored. Upon receipt of notice of
36 revocation of registration from the Division, the convicted person shall surrender the
37 registration on all motor vehicles registered in the convicted person's name to the Division
38 within 10 days of the date of the notice.

39 (a2) Upon receipt of notice of conviction of failure to obtain a license before driving a
40 motor vehicle in violation of G.S. 20-7(a) and notice the convicted person was punished
41 pursuant to G.S. 20-35(a4), the Division shall revoke the registration of all motor vehicles
42 registered in the convicted person's name and shall not register a motor vehicle in the convicted
43 person's name until the convicted person's license is restored. Upon receipt of notice of
44 revocation of registration from the Division, the convicted person shall surrender the
45 registration on all motor vehicles registered in the convicted person's name to the Division
46 within 10 days of the date of the notice.

47 (b) Upon receipt of a notice of conviction under subsection ~~(a) or (a1)(a),(a1), or (a2)~~ of
48 this section, the Division shall revoke the registration of the motor vehicle seized, and the
49 owner shall not be allowed to register the motor vehicle seized until the convicted operator's
50 drivers license has been restored. The Division shall not revoke the registration of the owner of
51 the seized motor vehicle if the owner is determined to be an innocent owner. The Division shall

1 revoke the owner's registration only after the owner is given an opportunity for a hearing to
2 demonstrate that the owner is an innocent owner as defined in G.S. 20-28.2. Upon receipt of
3 notice of revocation of registration from the Division, the owner shall surrender the registration
4 on the motor vehicle seized to the Division within 10 days of the date of the notice."

5 **SECTION 6.** This act becomes effective December 1, 2015, and applies to
6 offenses committed on or after that date.



HOUSE BILL 338: Fail to Obtain DL/Increase Punishment

2015-2016 General Assembly

Committee: House Appropriations
Introduced by: Rep. Millis
Analysis of: PCS to Second Edition
H338-CSSA-81

Date: July 22, 2015
Prepared by: Susan Sitze
Committee Counsel

SUMMARY: *The Proposed Committee Substitute (PCS) for House Bill 338 would increase the punishment for certain offenses of failing to obtain a drivers license before driving a motor vehicle.*

CURRENT LAW: Failure to obtain a drivers license before driving a motor vehicle is a Class 3 misdemeanor for all violations.

BILL ANALYSIS:

Section 1 of the PCS would provide that a first offense by any person of failure to obtain a drivers license before driving a motor vehicle would remain a Class 3 misdemeanor. A second or subsequent offense would be a Class 2 misdemeanor if the person, at the time of each offense, was ineligible to receive a drivers license because they did not meet the requirements of G.S. 20-7. Punishment would include a mandatory \$400 fine for any second or subsequent offense.

The PCS would also provide that punishment for a third or subsequent offense of failure to obtain a drivers license before driving a motor vehicle by someone who is ineligible to receive a drivers license may include an active sentence of not less than 20 days and not more than 60 days. Additionally, the vehicle that was driven by the person at the time of the third or subsequent offense would become property subject to forfeiture.

Sections 2 - 5 of the PCS would amend the statutes that govern seizure and forfeiture of vehicles seized for impaired driving to provide for the seizure, impoundment, and forfeiture of motor vehicles driven by persons who are convicted of a third or subsequent offense of failure to obtain a drivers license before driving a motor vehicle when they are ineligible to receive a license.

EFFECTIVE DATE: This act becomes effective December 1, 2015, and applies to offenses committed on or after that date.

O. Walker Reagan
Director



Research Division
(919) 733-2578



GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Incarceration Fiscal Note REVISED

BILL NUMBER: House Bill 338 (Second Edition)
SHORT TITLE: Fail to Obtain DL/Increase Punishment.
SPONSOR(S): Representative Millis

FISCAL IMPACT (\$ in millions)					
	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> No Estimate Available		
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
State Impact					
General Fund Revenues:					
General Fund Expenditures					
State Positions:					
NET STATE IMPACT	Likely budget cost. See Assumptions & Methodology section for additional details.				

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:
Administrative Office of the Courts; Indigent Defense Services; Department of Public Safety

EFFECTIVE DATE: December 1, 2015

TECHNICAL CONSIDERATIONS:
None

Revision Note: *This note has been revised to correct the fiscal year column headers in the table above.*

The proposed bill may have a fiscal impact because of the application of a more stringent penalty for each offense. However, given that there is no historical data on this offense or similar offenses to use as a proxy for predicting the total number of offenses, the Fiscal Research Division cannot reasonably estimate the total additional costs that may be incurred. The following costs may be incurred for every one person charged and convicted of this crime:

FISCAL IMPACT SUMMARY:

This bill will have a fiscal impact. The following costs are estimated:

- Administrative Office of the Courts: \$57 per charge
- Indigent Defense Services: \$0 to \$173 per indigent defendant
- Department of Public Safety (DPS) - Prison Section: No cost
- DPS - Community Corrections: \$131 per conviction resulting in probation

Please see the Assumptions and Methodology section for additional information.

BILL SUMMARY:

The bill increases an existing Class 3 misdemeanor to a Class 2 misdemeanor for second or subsequent offenses for failure to obtain a license before driving a motor vehicle, if at the time of each offense, the person was ineligible to receive a driver's license because he or she did not meet the requirements set forth in G.S. 20-7 (application, two forms of identification, North Carolina resident, and demonstration of physical and mental ability to drive a motor vehicle safely).

ASSUMPTIONS AND METHODOLOGY:

General

The Sentencing and Policy Advisory Commission prepares prison population projections for each bill containing a criminal penalty. The Commission assumes for such bills that expanding existing or creating new criminal offenses produces no deterrent or incapacitative effect on crime. Therefore, the Fiscal Research Division does not assume deterrent effects for any criminal penalty bill.

S.L. 2011-192 (H.B. 642), the Justice Reinvestment Act (JRA), made changes to North Carolina's court system, corrections system (both to prisons and probation), and to post-release supervision. All F-I felons are now subject to nine months of post-release supervision (PRS). B1-E felony PRS has been increased from nine months to twelve months. Due to the lack of historical data about JRA implementation, it is not possible to estimate the number of prison beds that may be needed as a result of revocations.

JRA also created the Statewide Misdemeanant Confinement Program (SMCP) for housing misdemeanants with sentences between 90 and 180 days in county jails (misdemeanants with shorter sentences were already the responsibility of the counties). County participation in the program is voluntary. The SMCP pays participating counties for misdemeanants' housing, transportation, and medical costs. In 2014, the program was expanded to include all misdemeanants with sentences longer than 90 days. The Sentencing and Policy Advisory Commission does not track county jail capacity, so it is not possible to estimate the impact of new or increased misdemeanor penalties on county jails.

Judicial Branch

The Administrative Office of the Courts provides Fiscal Research with a fiscal impact analysis for most criminal penalty bills. For such bills, fiscal impact is typically based on the assumption that court time will increase due to anticipated increases in trials and corresponding increases in workload for judges, clerks, and prosecutors. This increased court time is also expected to result in greater expenditures for jury fees and indigent defense.

Section 1 of the bill increases the penalty for second and subsequent violations of G.S. 20-7 from a Class 3 misdemeanor to a Class 2 misdemeanor. AOC does not have any data on the number of offenders who may have second or subsequent violations of this statute. AOC provides estimates of the average cost to the court for a charge by offense class. For every person who would have been charged with a Class 3 misdemeanor who is instead charged with a Class 2 misdemeanor, the average cost to the court will be \$57 (\$88 for a Class 2 minus \$31 for a Class 3).

IDS has provided Fiscal Research with the frequency and cost of indigent defense services for each level of crime, including the cost differentials for district and superior court with and without a trial and the percentage of cases handled in each category. Fiscal Research used this data to calculate a weighted average of IDS costs. The weighted average cost of a Class 3 misdemeanor (traffic) is \$162 per case for a private appointed counsel (PAC) attorney. In FY 2011-12, 3% of Class 3 misdemeanor (traffic) defendants used IDS services.

In FY 2011-12, 1% of Class 2 misdemeanor traffic defendants used IDS services. The weighted average cost of a Class 2 misdemeanor (traffic) is \$173 per case for a PAC attorney.

Department of Public Safety –Prison Section

This bill affects misdemeanor offenses. The North Carolina Sentencing and Policy Advisory Commission expects no impact on the prison population because all misdemeanor offenders who receive active sentences will serve them in the local jail. Therefore, the Department of Public Safety does not anticipate an impact on prison custody projections.

Department of Public Safety – Community Correction Section

All misdemeanor offenders may be given non-active (intermediate or community) sentences exclusively, or in conjunction with imprisonment (split-sentence). Sanctions include electronic house arrest, community service, substance abuse treatment, participation in educational or vocational skills development, payment of court costs, fines, and restitution, and short-term jail sentences not exceeding six days per month.

JRA essentially eliminated the distinction between “community” and “intermediate” supervision. Under structured sentencing, the two types of supervision were each defined by a set of specific sanctions. Under JRA, both community and intermediate probation may now include electronic monitoring, short-term periods of confinement, substance abuse assessment, monitoring, and treatment, participation in educational programs or vocational skills development. Whether a probationer is subject to more stringent conditions is determined by the results of a risk-needs assessment administered by the Department of Public Safety.

All types of post-release supervision are supervised by the Community Corrections Section (CCS); CCS also oversees community service. Supervision by a probation officer costs \$130.50 per offender, per month; no cost is assumed for those receiving unsupervised probation, or who are only ordered to pay fines, fees, or restitution. Total costs are based on average supervision length and the percentage of offenders (per offense class) sentenced to active sentences requiring post-release supervision and supervised probations. The table below shows the monthly cost for each year of the five year projection, adjusted for inflation.

Monthly Supervision Cost Adjusted for Inflation Five Year Projection						
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Inflation Rate		1.85%	2.72%	2.88%	2.76%	2.44%
Monthly Cost	\$130.50	\$132.90	\$136.52	\$140.45	\$144.32	\$147.85
<i>Inflation Rates based on consumer price index projections provided by Moody's economy.com (Jan. 2015)</i>						

In FY 2013-14, 31% of Class 3 misdemeanor offenders received active sentences; 69% received probation. The average length of probation imposed for this offense class was 12 months. For the same time period, 33% of Class 2 misdemeanor offenders received active sentences; 67% received probation. The average length of probation imposed for this offense class was 13 months. Therefore, at a minimum, one conviction sentenced to probation under Section 1 of this bill will require at least one additional month of probation. The cost of one additional months of probation is \$131 per offender.¹

¹ Due to the effective date of December 1, 2015 and the typical lag time between charge and conviction (6 months), little impact is assumed for CCS in FY 2015-16. Though some offenders may come under CCS supervision during this time, this note assumes an even entry over the course of FY 2016-17.

SOURCES OF DATA: Department of Public Safety; Administrative Office of the Courts; North Carolina Sentencing and Policy Advisory Commission; Office of Indigent Defense Services.

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Kristine Leggett

APPROVED BY:

Mark Trogdon, Director
Fiscal Research Division

DATE: April 22, 2015



Signed Copy Located in the NCGA Principal Clerk's Offices

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

FISCAL ANALYSIS MEMORANDUM

[This confidential fiscal memorandum is a fiscal analysis of a draft bill, amendment, committee substitute, or conference committee report that has not been formally introduced or adopted on the chamber floor or in committee. This is not an official fiscal note. If upon introduction of the bill you determine that a formal fiscal note is needed, please make a fiscal note request to the Fiscal Research Division, and one will be provided under the rules of the House and the Senate.]

DATE: 07/21/2015
TO: House Committee on Appropriations
FROM: Bryce Ball
Fiscal Research Division
RE: House Bill 338 (Second Edition)

FISCAL IMPACT (\$ in millions)					
	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> No Estimate Available		
State Impact	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Highway Fund Revenues:	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Highway Fund Expenditures:	\$0.10	\$0.01	\$0.01	\$0.01	\$0.01
State Positions:	0.0	0.0	0.0	0.0	0.0
NET STATE IMPACT	(\$0.10)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Transportation - Information Technology Division					
EFFECTIVE DATE: December 1, 2015					
TECHNICAL CONSIDERATIONS: None					

BILL SUMMARY:

Section 1 adds new G.S. 20-35(a3) to: a) establish a \$400 fine for a second or subsequent offense of failing to obtain a license before driving, if the person was ineligible for a license at the time of offense; and, b) provide for active sentencing of 20-60 days for a third or subsequent offense of failing to obtain a license before driving, and also subject the vehicle used in the offense to seizure, impoundment, and forfeiture.

Section 2 provides for the seizure, impoundment, and forfeiture of vehicles in accordance with new G.S. 20-35(a3).

Section 3 makes the bill effective December 1, 2015.

ASSUMPTIONS AND METHODOLOGY:

The following findings address potential impacts to the Department of Transportation exclusively. A separate incarceration note addresses potential impacts on the criminal justice system.

Department of Transportation - Information Technology Division (DOT-IT)

DOT-IT projects that a total of 1,120 hours at a standard assumed labor rate of \$90/hr. are necessary for the design, development, testing, and implementation of required modifications to the State Titling and Registration System (STARS) and State Automated Driver License System (SADLS) for an estimated one-time cost of \$100,800. Recurring system operations and maintenance costs attributable to these modifications are \$9,760.

Proposed technical modifications and system capabilities are outlined below.

STARS

- Modify Administrative Office of the Courts' menu to allow vehicle seizure, impoundment, and forfeiture for driving in violation of new G.S. 20-35(a3).
- Modify correspondence process to generate new notifications of impoundment.
- Modify titling and registration processes to deny appropriate services associated with seized vehicles.
- Modify inquiry process to display convictions for driving in violation of G.S. 20-35(a3).

SADLS

- Develop and receive a new Administrative Office of the Courts (AOC) charge code for violations of failing to obtain a license before driving a motor vehicle when the person was ineligible to receive a license. Action will be taken for second and subsequent offenses.
- Create a new conviction code for this type of offense.
- Create new suspensions for this new type of conviction.
- Create new action modules to process this conviction type and assign suspensions.
- Determine and assign a proper ACD code to the new conviction rule for transmission out-of-state through the Commercial Driver License Interface System (CDLIS).
- Modify codes table to link the new AOC charge code to the new conviction code in SADLS.

Division of Motor Vehicles – License & Theft Bureau

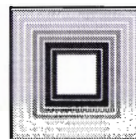
The Notice, Storage and Theft (NST) Unit is responsible for processing vehicles subject to seizure and impoundment. NST places a hold on all vehicle registrations seized by a law enforcement officer and notifies all owners and lien holders of the seizure in accordance with G.S. 20-28.2 through 28.9, and G.S. 20-54.1. During 2014, the total number of charges issued under G.S. 20-7(a) was 122,257; however, because AOC does not currently capture individual conviction (1st, 2nd, 3rd, subsequent...) levels, the extent of the potential impact on NST workload is indeterminate.

SOURCES OF DATA: Department of Transportation – Information Technology Division and Division of Motor Vehicles

TECHNICAL CONSIDERATIONS: None

General Fund Revenue and Cumulative Revenue Changes

**Barry Boardman, Ph.D.
Fiscal Research Division
July 22, 2015**



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Presentation Outline

- General Fund revenue: Actual compared to revenue grown by State's population growth plus inflation
- Cumulative revenue changes since fiscal year 2010-2011

General Fund Revenue

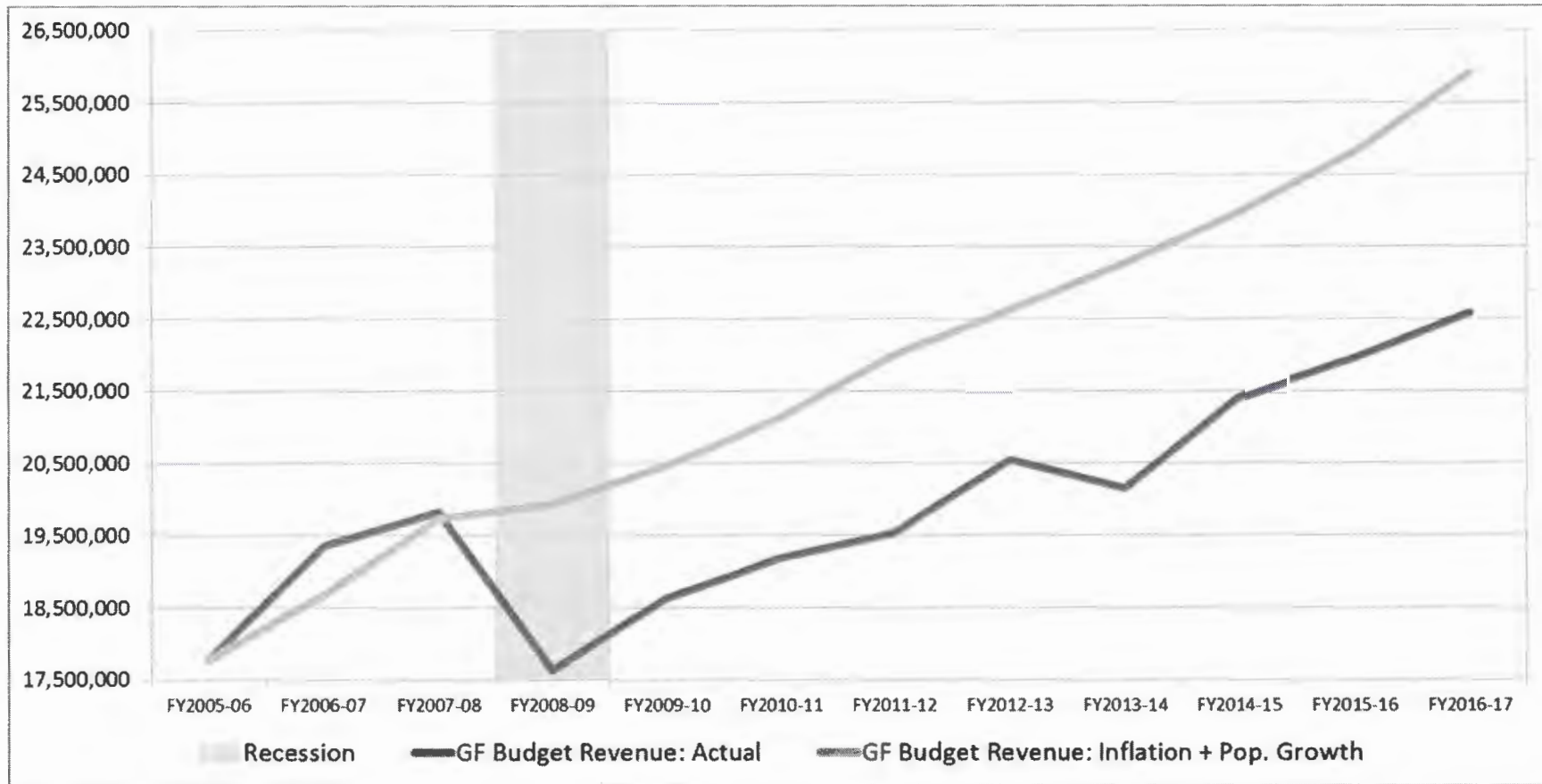
- **GF Revenue** = Tax Revenue + Non-Tax Revenue + Transfers
- **State Population Growth** – Estimated fiscal year growth (US Census, Moody's Analytics)
- **Inflation** – Consumer Price Index (Bureau of Labor Statistics, Moody's Analytics)

General Fund Revenue

General Fund Revenue compared with Revenue if growth equaled the combined growth in population and inflation, starting with FY 2005-06 (\$ ths., projections in **bold**)

Fiscal Year	GF Budget Revenue: Actual	GF Budget Revenue: Inflation + Pop. Growth	Difference	Inflation and Pop. Growth
FY2005-06	17,774,349	17,774,349	-	-
FY2006-07	19,360,944	18,677,192	683,752	5.1%
FY2007-08	19,824,856	19,729,878	94,978	5.6%
FY2008-09	17,626,702	19,922,167	(2,295,465)	1.0%
FY2009-10	18,635,469	20,463,824	(1,828,356)	2.7%
FY2010-11	19,183,147	21,126,785	(1,943,638)	3.2%
FY2011-12	19,534,015	22,001,639	(2,467,624)	4.1%
FY2012-13	20,541,576	22,622,362	(2,080,785)	2.8%
FY2013-14	20,153,218	23,268,220	(3,115,002)	2.9%
FY2014-15	21,401,100	23,966,266	(2,565,166)	3.0%
FY2015-16	21,965,100	24,816,111	(2,851,011)	3.5%
FY2016-17	22,576,100	25,912,417	(3,336,317)	4.4%

General Fund Revenue



Tax and Non-tax Revenue Changes

- Changes include
 - Allowing rate increases and tax incentives to sunset
 - Changes to the tax code in H998 (S.L.2013-316)
 - Non-Tax revenue change

Revenue Changes

- Cumulative revenue changes are net of all tax law changes and non-tax changes

Estimated cumulative revenue changes since FY2010-11 (\$ Mil.)

	FY 15-16	FY 16-17
Personal Income	(\$1,085.6)	(\$1,094.1)
Sales & Use	(655.7)	(630.3)
Corporate Income	(483.4)	(708.6)
Other Tax, Non-Tax, and Transfers	(35.9)	(41.8)
Total Fiscal Impact	(\$2,260.6)	(\$2,474.8)

Conclusion

- Why hasn't revenue kept up with the State's population growth and inflation?
 - In part, economic conditions since the drop-off in FY 2008-09 have not kept pace
 - And, in part, due to tax and revenue changes enacted the last four years

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

7-22-2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Andy Walsh	SA
Mia Pugliese	NCMMC
Liz Johnson	TOWN OF MORRISVILLE
Rose Williams	NCLM
Erin Jones	TWC
Kelly Thomas	DMV
Hope Mozingo	NC DMV
MICHAEL FARMER	NC DOT - IT
Alex Bowen	CCS
Tom Friedman	SHP
Math Gross	NCP



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

7-22-2015

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

David Collins	SEAN
Ricky Brandon	DP5
Sue Ann Forrest	NCICW
Tom West	NCICU
Jonathan Kappes	UNC GA
Emily Mae Hamrick	NCCCS
Mary Shuping	NCCCS
Emelda Turner	La
Mildred Spearman	NCAOC
Tonya Horton	TSS
Don Vaughn	—



VISITOR REGISTRATION SHEET

APP
Name of Committee

7/22/2015
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Adam Prodemore	NCHA
Allen Hartzel	NCSWANA
Fred Bone	Bone Assoc.
Dave Richard	NC DHHS
Trent Womble	DHHS
Adam Shuler	DHHS
Dave Horn	Smith Anderson
Wendy Kelly	Focus Carolina
Cory Hand	NCHA



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

7.22.2015

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Nelson Freeman	DOR
Camen Hough	AUH
Travis T. Fletchler	TCU
Chris Byrd	NCOMS
Amy Lons	NC DOC
Katherine Houghton	NC DOC
Susan Harrison	NC DTSEA
Penny Guffin	School of Gov.
Pattie Fleming	Rep. Craig Horn
Katherine Joyce	NCASA
Jan Hargrave	Scotland County Schools



VISITOR REGISTRATION SHEET

APPROPRIATIONSDATE: 7-22-2015VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Dr. Larry Morrow	Davidson Co. Schools
MARK J. MORROW	NCAR
Isabel Villa-Sanchez	NCAR
Stephanni	Charlotte Science Program
Bill Ristad	ACP
Mike James	ACP
Sean McCabe	NCJOL
Sarah Bell Koonce	NCJOL
CADY THOMAS	Focus Carolina
Elizabeth Almonaster	Hunt Institute
David Trotter	DMV
Evan Miller	Nelson Mullins
Flint Benson	SEANC
Elizabeth Robinson	NORTH
Lexi Morgan	NORTH
JEFF BARNHART	MWC
Natalie Eglar	Charlotte Chamber



VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS COMMITTEE

Name of Committee

7-22-2015

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME _____

FIRM OR AGENCY AND ADDRESS

Kristen Dubay

NC Community Health Center Assoc.

Tom Murr

NLAOC

Jill Swain

Mayor

Mad or
Huntersville

Metro

Magnus

Jan Ksh

hwc



SPEAKERS SIGN-IN SHEET

Name of Committee

Date 7.22-15

SPEAKER'S: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE
CLERK

NAME

FIRM OR AGENCY AND ADDRESS

NAME	FIRM OR AGENCY AND ADDRESS
✓ Liz Johnson	NC League of Municipalities / Town of Morrisville

Huntersville Mayor Jill Swain NC Metro Mayors

✓ Kannapolis Mayor Darrell Hinnant NC Metro Mayors

✓ Greensboro Mayor Nancy Vaughan NC Metro Mayors

✓ Mark Zimmerman NC Association of REALTORS

Angeline Echeverría El Pueblo, Inc.

Dr. Ron Hargrave Superintendent, Scotland County Schools

Dr. Lucy Morrow Superintendent, Davidson County Schools



Wednesday, July 22
APPROPRIATIONS
HB

Room
643
Fail to Obtain DL/Increase
Punishment.

Time
8:30 am

Name	County	Sponsor
Jenny Suwanmanee	Orange	Joe Sam Queen
Noah Sharpe	Davidson	Rayne Brown
Ryan Cherry	Wake	Joe Sam Queen
Sophia Ferrara	Haywood	Joe Sam Queen

Suwanmanee



Committee Sergeants at Arms

NAME OF COMMITTEE Committee on Appropriations

DATE: 7/22/2015 Room: 643

House Sgt-At Arms:

1. Name: Carlton Adams

2. Name: Joe Austin

3. Name: Young Bae

Reggie Sills

4. Name: Marvin Lee

5. Name: Terry McCraw

6. Warren Hawkins

7. David Leighton

8. Martha Gadison ~~XXXXXXXXXXXX~~

1. Name: _____

2. Name: _____

3. Name: _____

4. Name: _____

5. Name: _____



Corrected #1: Meeting Time Change 1:00PM to 3:00PM

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Appropriations** will meet as follows:

DAY & DATE: Wednesday, July 29, 2015

TIME: 1:00 PM

LOCATION: 643 LOB

COMMENTS: Meeting will include discussion of HB 97-2015 Appropriations Act. Interested parties will have the opportunity to speak as time permits.

The following bills will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 904	Funds for Drainage Improvements.	Representative Waddell Representative Brisson Representative Hamilton Representative Iler

Respectfully,
Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 9:09 AM on Tuesday, July 28, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Candace Slate (Committee Assistant)



**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Appropriations** will meet as follows:

DAY & DATE: Wednesday, July 29, 2015

TIME: 8:30 AM

LOCATION: 643 LOB

COMMENTS: Meeting will include discussion of HB 97-2015 Appropriations Act. Interested parties will have the opportunity to speak as time permits.

The following bills will be considered:

BILL NO. SHORT TITLE

HB 904 Funds for Drainage Improvements.

SPONSOR

Representative Waddell
Representative Brisson
Representative Hamilton
Representative Iler

Respectfully,
Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 2:19 PM on Monday, July 27, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Candace Slate (Committee Assistant)



HOUSE COMMITTEE ON APPROPRIATIONS

Legislative Office Building, Room 643

July 29, 2015

1:00 p.m.

Opening Remarks

House Chairs

House Bill 904

Study Drainage Needs/Low-lying Areas

Rep. Ken Waddell

House Bill 97 Discussion

House – Senate Budget Proposal Differences

House Chairs

Education Comparison

*Brian Matteson and Kris Nordstrom
Fiscal Research Division*

Invited Guests

Salary and Benefits Comparison

*Lanier McRee and David Vanderweide
Fiscal Research Division*

Adjourn

MINUTES
HOUSE COMMITTEE ON APPROPRIATIONS

Wednesday, July 29, 2015

1:00 p.m.

Legislative Office Building, Room 643

ATTENDEES:

Chairmen: Dollar, L. Johnson, Lambeth, McGrady

Vice Chairmen: Arp, Avila, Brawley, Brisson, B. Brown, R. Brown, Cleveland, Daughtry, Dixon, Faircloth, Hurley, Iler, Presnell, Riddell, Shepard, Tine, Torbett

Members: Adcock, Ager, L. Bell, Bryan, Bumgardner, Conrad, Dobson, Elmore, Farmer-Butterfield, Floyd, Ford, Gill, Glazier, G. Graham, L. Hall, Harrison, Horn, Hunter, Insko, Johnson, Langdon, Lucas, Michaux, Pendleton, Pierce, Pittman, Queen, Richardson, Saine, Salmon, Speciale, Stam, Stevens, B. Turner, R. Turner, Watford, Willingham, Wray, Yarborough

I. Call to Order

Senior Chair, Nelson Dollar presided and called the meeting to order at 1:11 p.m.

II. Introductions

Chairman Dollar introduced students who were serving as pages and the Sargeant-at-Arms staff assisting with the meeting.

III. Action Agenda Item

A. HB 904 Study Drainage Needs/Low-lying Areas

B. PCS H904-CSMH-12 [v.2]

Chairman Dollar called upon Representative Kenneth Waddell to review PCS H904-CSMH-12 [v.2] that would create the Drainage Improvement Study Commission to identify, study, and recommend policies to enhance drainage and alleviate drainage problems in low-lying counties.

Questions and comments were received from the following committee members:
Representative George Cleveland.

Representative Elmer Floyd moved favorable to Committee Substitute H904-CSMH-12 [v. 2]. The motion passed via a verbal vote.

IV. Discussion Items

A. HB97: 2015 Appropriations Act

Chairman Dollar presented to the committee a report on the House – Senate Budget Proposal Differences. Chairman Dollar opened the floor for questions. The following Representatives asked questions: Torbett, Brisson, Michaux, and Glazier.



B. Education Comparison

Brian Matteson from the Fiscal Research Division presented the House and Senate Education Appropriations Comparison (H 97, 2015 Appropriations Act).

Kris Nordstrom from the Fiscal Research Division presented the Fiscal Year 2015-2017 Budget (H 97, 2015 Appropriations Act): Public School Items in Controversy. Chairman Dollar opened up the floor for questions from Representatives Avila and Torbett.

C. Invited Guests/Speakers

The following guests spoke to the committee:

Sherita Fuller, Principal of North End Elementary, Person County

Julie Fogt, 1st grade teacher at North End Elementary, Person County

Donna Henderson, Teacher assistant at North End Elementary, Person County

Lesley Wade, 3rd grade teacher at Lacy Elementary, Wake County

Dr. Jim Morrill, Superintendent of Wake County Public School System

Dr. Mary Ellis, Superintendent of Union County Public School System

Steve Phillips, Traffic and Safety Manager of AAA Carolinas

Dr. Bob Shackelford, President of Randolph Community College

Ardis Watkins, Director of the State Employees Association of NC

Chairman Dollar allowed members to pose questions to each speaker after they spoke.

- D.** A Salary and Benefits Comparison was presented by Lanier McRee and David Vanderweide from the Fiscal Research Division. Chairman Dollar opened up the floor for questions and comments from Representatives Speciale, Pendleton, Michaux, Glazier, Faircloth, and L. Hall.

- E.** Chairman Dollar recognized additional guests to speak to the committee. He also allowed members to pose questions to the speakers.

Ardis Watkins, Director of the State Employees Association of NC

Jack Cozort, Lobbyist representing the NC Retired Government Employees

Pam Deardorff, Lobbyist representing the NC Retired School Personnel

David Heinen, Vice President for Public Policy and Advocacy

Mark Zimmerman, from the NC Realtors Association

Natalie English, Charlotte Chamber of Commerce

Emily Atkinson, Raleigh Chamber of Commerce

Josh Bass, Currituck Chamber of Commerce

Deborah Carter, Cabarrus Chamber of Commerce

Jill Swain, Huntersville Mayor and Chair of the Metromayors Coalition

Dr. Shiela Davies, Dare County Public Health Department

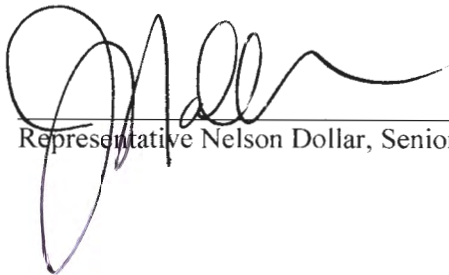
Ernie Pearson, NC Economic Development Association
Johanna Reese, NC Association of County Commissioners

V. Announcements

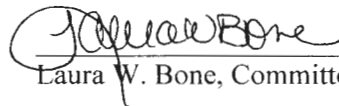
Chairman Dollar announced that the House Appropriations Committee would meet the following week, August 3-7. An exact date and time were not provided during the meeting.

VI. Adjournment

The House Committee on Appropriations adjourned at 3:33 p.m.



Representative Nelson Dollar, Senior Chair



Laura W. Bone, Committee Clerk



**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

APPROPRIATIONS COMMITTEE REPORT

**Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair**

FAVORABLE COM SUB , UNFAVORABLE ORIGINAL BILL

HB 904

Funds for Drainage Improvements.

Draft Number:	H904-PCS40496-MH-12
Serial Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes
Floor Manager:	Waddell

TOTAL REPORTED: 1



* C M R 5 5 1 - V - 1 *

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

1

HOUSE BILL 904

Short Title: Funds for Drainage Improvements. (Public)

Sponsors: Representatives Waddell, Brisson, Hamilton, and Iler (Primary Sponsors).
For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Appropriations.

April 16, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO APPROPRIATE FUNDS TO THE SOIL AND WATER CONSERVATION
3 COMMISSION FOR ENHANCEMENT OF DRAINAGE AND ALLEVIATION OF
4 DRAINAGE PROBLEMS.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.(a)** There is appropriated from the General Fund to the Division of
7 Soil and Water Conservation of the Department of Agriculture and Consumer Services the sum
8 of one million dollars (\$1,000,000) for the 2015-2016 fiscal year to be used for a matching
9 grant program to assist low-lying counties with drainage improvements and programs for
10 mitigation of drainage problems, to include beaver control programs. For purposes of this
11 section, a low-lying county is any county that includes areas with an elevation less than 125
12 feet above sea level, according to data produced by the North Carolina Center for Geographic
13 Information and Analysis.

14 **SECTION 1.(b)** The matching grant program for low-lying counties created by
15 subsection (a) of this section shall provide to a local soil and water conservation district board
16 of supervisors up to seventy-five percent (75%) of the nonfederal share for districts located in a
17 development tier one or tier two county and up to fifty percent (50%) of the nonfederal share
18 for districts located in development tier three counties for projects meeting the following
19 criteria:

- 20 (1) The purpose of the project is to improve drainage or address drainage
21 problems, including beaver control programs, in an area that due to a lack of
22 consistent or continual maintenance is causing excessive damage to
23 personal, commercial, county, or municipal property, as determined by the
24 local soil and water conservation district board in the application for project
25 funding.
26 (2) The county board of commissioners or the municipal governing board for
27 the county or municipality containing the proposed project area has adopted
28 a resolution of support for the grant application.
29 (3) The project will be implemented under rules and guidelines issued by the
30 Division, which shall include the acquisition of any required easements or
31 permissions from property owners impacted by the proposed project.

32 **SECTION 1.(c)** Funding provided under this act is limited to no more than one
33 hundred thousand dollars (\$100,000) for all projects in any county.

34 **SECTION 2.** This act is effective when it becomes law.



* H 9 0 4 - V - 1 *



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

D

HOUSE BILL 904
PROPOSED COMMITTEE SUBSTITUTE H904-CSMH-12 [v.2]

6/25/2015 10:05:45 AM

Short Title: Study Drainage Needs/Low-lying Areas.

(Public)

Sponsors:

Referred to:

April 16, 2015

A BILL TO BE ENTITLED
AN ACT TO CREATE THE DRAINAGE IMPROVEMENT STUDY COMMISSION TO
IDENTIFY, STUDY, AND RECOMMEND POLICIES TO ENHANCE DRAINAGE
AND ALLEVIATE DRAINAGE PROBLEMS IN LOW-LYING COUNTIES.

The General Assembly of North Carolina enacts:

SECTION 1.(a) There is established the Drainage Improvement Study
Commission (Commission).

SECTION 1.(b) The Commission shall be composed of 15 members as follows:

(1) Six members appointed by the Speaker of the House of Representatives, as
follows:

- a. Two members of the House of Representatives.
- b. One member of the public representing the North Carolina
Association of County Commissioners.
- c. One member of the public representing forestry interests in the State.
- d. One member of the public representing owners of riparian property
threatened by drainage issues.
- e. One member representing a drainage district organized under
Chapter 156 of the General Statutes or a watershed improvement
district established under Article 2 of Chapter 139 of the General
Statutes.

(2) Six members appointed by the President Pro Tempore of the Senate, as
follows:

- a. Two members of the Senate.
- b. One member of the public representing the North Carolina League of
Municipalities.
- c. One member of the public representing agricultural interests in the
State.
- d. One member of the public representing owners of coastal property
threatened by drainage issues.
- e. One member who is a member of a trade or occupation with
knowledge and experience in the design or construction of drainage
or stormwater systems and structures.

(3) The Director of the Division of Soil and Water Conservation of the
Department of Agriculture and Consumer Services, or the Director's
designee.



* H 9 0 4 - C S M H - 1 2 - V - 2 *

(4) The Secretary of the Department of Transportation, or the Secretary's designee.

(5) The Executive Director of the Wildlife Resources Commission, or the Executive Director's designee.

SECTION 1.(c) The Commission shall also consult with and request the participation of representatives of the Wilmington District of the United States Army Corps of Engineers and the Natural Resource Conservation Service of the United States Department of Agriculture.

SECTION 1.(d) The Commission shall study the following matters related to the problem of adequate drainage in counties that include areas with an elevation less than 124 feet above sea level (low-lying counties):

(1) The impact and cost to agriculture, forestry, and property owners from lack of adequate drainage in low-lying counties

(2) The legal, regulatory, and financial impediments to resolution of drainage problems in low-lying counties.

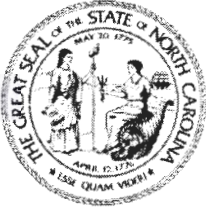
(3) The contribution of beavers to drainage problems, and the adequacy of existing programs and funding for beaver control.

SECTION 1.(e) Members of the Commission shall receive per diem, subsistence, and travel allowances in accordance with G.S. 120-3.1, G.S. 138-5, or G.S. 138-6, as appropriate. The Commission, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and G.S. 120-19.4. The Commission may meet upon the call of the cochairs. The Commission may meet in the Legislative Building or the Legislative Office Building. With approval of the Legislative Services Commission, the Legislative Services Officer shall assign professional staff to assist the Commission in its work. The House of Representatives' and the Senate's Directors of Legislative Assistants shall assign clerical staff to the Commission, and the expenses relating to the clerical employees shall be borne by the Commission.

All State departments and agencies and local governments and their subdivisions shall furnish the Commission with any information in their possession or available to them.

SECTION 1.(f) The Commission shall make a final report of its findings and legislative recommendations to the 2016 Regular Session of the 2015 General Assembly. The Commission shall terminate on December 31, 2016, or upon the filing of its final report, whichever occurs first.

SECTION 2. This act is effective when it becomes law.



HOUSE BILL 904: Study Drainage Needs/Low-lying Areas

2015-2016 General Assembly

Committee:	House Appropriations	Date:	July 27, 2015
Introduced by:	Reps. Waddell, Brisson, Hamilton, Iler	Prepared by:	Committee Staff
Analysis of:	PCS to First Edition H904-CSMH-12		

SUMMARY: *Establishes the Drainage Improvement Study Commission to review policies to enhance drainage and alleviate drainage problems and to recommend legislation for drainage improvement.*

CURRENT LAW: Chapter 156 of the General Statutes governs drainage law in North Carolina. The Division of Soil and Water Conservation of the Department of Agriculture and Consumer Services is the entity responsible for executing the State's policy on drainage improvement and mitigation of drainage problems. Drainage issues are especially significant in low-lying areas of the State.

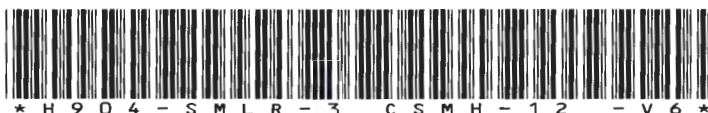
BILL ANALYSIS: The Proposed Committee Substitute for House Bill 904 creates the Drainage Improvement Study Commission (Commission) consisting of 15 members, to include:

- Six members appointed by the Speaker of the House of Representatives, as follows:
 - Two members of the House of Representatives.
 - One member of the North Carolina Association of County Commissioners.
 - One member representing forestry interests in the State.
 - One member representing owners of riparian property threatened by drainage issues.
 - One member representing a drainage district organized under Chapter 156 of the General Statutes or a watershed improvement district established under Article 2 of Chapter 139 of the General Statutes.
- Six members appointed by the President Pro Tempore of the Senate, as follows:
 - Two members of the Senate.
 - One member of the North Carolina League of Municipalities.
 - One member representing agricultural interests in the State.
 - One member representing owners of coastal property threatened by drainage issues.
 - One member who is a member of a trade or occupation with knowledge and experience in the design or construction of drainage or stormwater systems and structures.
- Director of the Division of Soil and Water Conservation of the Department of Agriculture and Consumer Services, or the Director's designee.
- Secretary of the Department of Transportation, or the Secretary's designee.
- Executive Director of the Wildlife Resources Commission, or the Executive Director's designee.

The Commission is charged with studying the following matters related to the problem of adequate drainage in counties having an elevation less than 124 feet above sea level (low-lying counties):

- (1) The impact and cost to agriculture, forestry, and property owners from lack of adequate drainage.

Kory Goldsmith
Director



Legislative Drafting
(919) 733-6660

House Bill 904

Page 2

- (2) The legal, regulatory, and financial impediments to resolution of drainage problems.
- (3) The contribution of beavers to drainage problems, and the adequacy of existing programs and funding for beaver control.

The Commission is directed to report its findings and legislative recommendations to the 2016 Regular Session of the 2015 General Assembly.

Further, the Commission is charged with consulting and requesting the participation of representatives of the Wilmington District of the United States Army Corps of Engineers and the Natural Resource Conservation Service of the United States Department of Agriculture. All State departments and agencies and local governments and their subdivisions are required to furnish the Commission with any information in their possession or available to them. As is typical of independent legislative study commissions, it will receive per diem, subsistence, and travel allowances in accordance with G.S. 120-3.1, G.S. 138-5, or G.S. 138-6, as appropriate. The Commission may exercise all powers provided under G.S. 120-19 and G.S. 120-19.4, may meet upon the call of the cochairs and may hold meetings in the legislative complex. The Legislative Services Officer will assign professional staff to assist, with the approval of the Legislative Services Commission. The House and Senate directors of legislative assistants will assign clerical staff to the Commission, with such costs borne by the Commission.

EFFECTIVE DATE: The act is effective when it becomes law. The Commission terminates December 31, 2016, or upon the filing of its final report, whichever occurs first.

NC House of Representatives

Appropriations Committee

House – Senate Budget Proposal Differences

House Approach to 2015-17 Budget

- Fund mandatory items such as Medicaid, public school and university enrollment growth
- Increase funds in Statewide Reserves
- Address teacher and correctional staff pay needs
- Fund Retiree COLA and provide a pay increase for all State employees
- Address key spending areas/needs
- Fund economic development and job creation
- Address capital and State infrastructure needs
- Keep policy to a minimum

1. Growth in Spending

- House Budget invests 5.1% (6.3% if statutory and other earmarks are included) to cover mandatory increases such as Medicaid and public school and university enrollment and provide for the largest pay increase for all State employees since the Great Recession.
- Senate budget grows 1.8% (2.6% if statutory and other earmarks are included).

2. Tax Changes

- House Budget allows full implementation of 2013 tax cuts including automatic corporate tax rate cuts totaling \$500 million over the biennium. House proposal restores **Medical Expense Deduction** and maintains current allowance for **Charitable Giving**.
- Senate proposes additional major tax changes such as reductions of corporate and individual tax rates and the redistribution of sales taxes to local governments.

3. Reserve Accounts

- House increases **Savings Reserve** by \$200 million. Senate increases by \$500 million.
- House reserves \$50 million to the **Medicaid Contingency Reserve**. Senate maintains the \$186 million currently in Medicaid Reserve.

4. Salaries and Benefits

- House Budget provides a 2% COLA to retirees and a 2% across-the-board increase to all State employees; Senate Budget does not fund increases for most State employees or retirees.
- House funds projected increase needed for State Health Plan; Senate provides no additional funds.
- Senate eliminates Retiree medical benefit for future State employees.

5. Key Spending Items/Initiatives

- House continues investment in **Teaching Assistants** at the FY 2014-15 level. Senate proposes to reduce FY 2014-15 funding level by 50% and further reduce in 2nd year of biennium.
- House budget expands **Mental Health** funding by \$30 million. Senate cuts \$166 million.
- House proposes to continue **Driver Education** funding. Senate proposes no funding for Driver Education and would eliminate the requirement for completing the training as a prerequisite for a Limited Learner Permit.
- House makes major investments in **Economic Development** and **Job Creation**.
- House passed House Bill 372, authorizing provider-led capitated **Medicaid Reform**. Senate proposes a full capitation model of Medicaid Reform in budget bill.

6. State Infrastructure

- House makes major investments in State infrastructure by appropriating/authorizing \$519 million in capital improvements and planning such as university science and engineering buildings, medical examiner laboratory and highway patrol training facility.
- Senate appropriates \$300 million for Repairs & Renovation.

House and Senate Education Appropriations Comparison
(House Bill 97, 2015 Appropriations Act)

FY 2015-16				
	House	Senate	Senate - House	
Public Schools				
General Fund	\$8,625,724,465	\$8,282,418,560	(\$343,305,905)	
Lottery (K-12 Operating)	\$303,865,437	\$352,571,558	\$48,706,121	
Total, GF & Lottery	\$8,929,589,902	\$8,634,990,118	(\$294,599,784)	
K-12 Sal & Ben, Total	\$251,006,541	\$157,096,437	(\$93,910,104)	
Pub Sch Total, w/out S&B	\$8,678,583,361	\$8,477,893,681	(\$200,689,680)	
Community Colleges				
General Fund	\$1,086,945,481	\$1,051,528,672	(\$35,416,809)	
Comm Coll Sal & Ben Total	\$29,413,193	\$21,374,722	(\$8,038,471)	
Comm Coll Total, w/out S&B	\$1,057,532,288	\$1,030,153,950	(\$27,378,338)	
UNC				
General Fund	\$2,786,478,423	\$2,715,040,926	(\$71,437,497)	
Lottery (K-12 Operating)	\$41,194,733	\$41,194,733	\$0	
Total, GF & Lottery	\$2,827,673,156	\$2,756,235,659	(\$71,437,497)	
UNC Sal & Ben Total	\$64,739,512	\$105,989	(\$64,633,523)	
UNC Total, w/out S&B	\$2,762,933,644	\$2,756,129,670	(\$6,803,974)	
TOTALS				
General Fund (GF) Only	\$12,499,148,369	\$12,048,988,158	(\$450,160,211)	
GF + Lottery	\$12,844,208,539	\$12,442,754,449	(\$401,454,090)	
GF + Lottery - Sal & Bens.	\$12,499,049,293	\$12,264,177,301	(\$234,871,992)	

House and Senate Education Appropriations Comparison
(House Bill 97, 2015 Appropriations Act)

FY 2016-17				
	House	Senate	Senate - House	
Public Schools				
General Fund	\$8,700,895,889	\$8,382,532,357	(\$318,363,532)	
Lottery (K-12 Operating)	\$303,865,437	\$366,366,883	\$62,501,446	
Total, GF & Lottery	\$9,004,761,326	\$8,748,899,240	(\$255,862,086)	
K-12 Sal & Ben, Total	\$244,648,370	\$157,096,437	(\$87,551,933)	
Pub Sch Total, w/out S&B	\$8,760,112,956	\$8,591,802,803	(\$168,310,153)	
Community Colleges				
General Fund	\$1,086,276,243	\$1,050,528,672	(\$35,747,571)	
Comm Coll Sal & Ben Total	\$28,374,211	\$21,374,722	(\$6,999,489)	
Comm Coll Total, w/out S&B	\$1,057,902,032	\$1,029,153,950	(\$28,748,082)	
UNC				
General Fund	\$2,776,682,229	\$2,739,150,553	(\$37,531,676)	
Lottery (K-12 Operating)	\$41,194,733	\$41,194,733	\$0	
Total, GF & Lottery	\$2,817,876,962	\$2,780,345,286	(\$37,531,676)	
UNC Sal & Ben Total	\$63,281,493	\$105,989	(\$63,175,504)	
UNC Total, w/out S&B	\$2,754,595,469	\$2,780,239,297	\$25,643,828	
TOTALS				
General Fund (GF) Only	\$12,563,854,361	\$12,172,211,582	(\$391,642,779)	
GF + Lottery	\$12,908,914,531	\$12,579,773,198	(\$329,141,333)	
GF + Lottery - Sal & Bens.	\$12,572,610,457	\$12,401,196,050	(\$171,414,407)	

FY 2015-17 Budget (HB 97, 2015 Appropriations Act): Public Schools Items in Controversy

		House				Senate			
		FY 2015-16		FY 2016-17		FY 2015-16		FY 2016-17	
#	Item	R	NR	R	NR	R	NR	R	NR
Salaries and Benefits Adjustments									
1.	K-12 Employee Salary & Benefits Adjustments	251,006,541		244,648,370		157,096,437		157,096,437	
Public School Funding Adjustments									
2.	Teacher Assistants	88,855,273		88,855,273		(57,516,650)		(166,146,805)	
3.	K-3 Class Size Reduction					79,932,891		192,931,335	
4.	Driver Training		26,376,131						
5.	Textbooks (and Digital Resources)	43,500,000	4,800,000	43,500,000		29,000,000		29,000,000	
6.	School Connectivity Initiative	12,000,000		12,000,000					
7.	Digital Learning Plan Activities	9,000,000		9,000,000					
8.	NC Elevating Educators Act of 2015	200,000		10,000,000					
9.	Excellent Public Schools Act					3,812,141		8,520,748	
10.	DPI Operating Budget					(4,781,195)		(4,781,195)	
11.	Regional Leadership Academies		3,900,000						
12.	Advanced Placement (AP)/IB Teacher Bonuses	3,900,000		4,300,000					
13.	Microsoft Statewide Agreement	2,600,000		2,700,000					
14.	Regional Education Service Alliances	2,400,000		2,400,000					
15.	Competency Education Pilot	2,000,000		2,000,000					
16.	Cooperative & Innovative High Schools	2,485,352	100,000	2,796,021		621,338		932,007	
17.	Instructional Support Personnel	1,700,000		1,600,000					
18.	Low Wealth Supplemental Funding	(8,500,000)		(8,500,000)		(10,091,091)		(10,091,091)	
19.	VIF International Education	1,200,000		1,200,000					
20.	Charter School Accelerator	1,000,000		1,000,000					

(HB 97, 2015 Appropriations Act): Public Schools Items in Controversy

	House				Senate				Senate vs. House	
	FY 2015-16		FY 2016-17		FY 2015-16		FY 2016-17		FY 2015-16	FY 2016-17
	R	NR	R	NR	R	NR	R	NR	R & NR	R & NR
ments (Con't)										
essment System					871,474		871,474		871,474	871,474
eacher Bonuses	600,000		600,000						(600,000)	(600,000)
					(596,080)		(596,080)		(596,080)	(596,080)
m	300,000		300,000						(300,000)	(300,000)
Practice		300,000							(300,000)	-
M) Contingency	2,500,000	215,000	2,500,000	215,000	2,500,000		2,500,000		(215,000)	(215,000)
ram		200,000							(200,000)	-
velopment		126,500							(126,500)	-
Program		105,000		105,000					(105,000)	(105,000)
	100,000		100,000						(100,000)	(100,000)
	100,000		100,000						(100,000)	(100,000)
ion Redesign Pilot	100,000		100,000						(100,000)	(100,000)
stments										
					254,586,185		254,586,185		254,586,185	254,586,185
rsonnel					(345,571,558)		(361,666,883)		(345,571,558)	(361,666,883)

Salaries & Benefits

A Comparison of the Proposed House & Senate Budgets

July 29, 2015



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Items to be Compared:

- Salaries
 - Most State & State-funded local employees
 - Educators
 - School-Based Administrators (SBAs)
- Workers' Compensation (WC)
- State Health Plan
- Retiree Medical
- Retirement



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July 29, 2015

Salaries: Most Employees

	House	Senate
Increases salaries across-the-board	Y (2%)	N
Grants a retiree cost of living adjustment	Y (2%)	N
Provides step increases (Hwy Patrol, Asst. & Dep. Clerks, Magistrates)	Y	Y
Provides market-based adjustments for certain positions	Y	Y
<i>Community College Instructional Personnel</i>	N	Y
<i>Sworn Officers of the Hwy Patrol</i>	Y	N
<i>Misc. other</i>	Y	N

Salaries: Most Employees

	House	Senate
Supports new OSHR salary structure	Y	Y
Appropriates funds to the Salary Adjustment Fund (SAF)	N	Y
<ul style="list-style-type: none"> • May only be used for market-based adjustments • May be used by State agencies, excluding UNC • May not be used to increase salaries for job classes that receive compensation increases in the Senate budget 		
Provides 5 non-expiring bonus days	Y	N

Salaries: Most Employees

	House	Senate
--	-------	--------

Begins implementation of custody-level pay for correctional officers

Y

Y

- Upon final implementation, pay grades change as follows:

Custody-level	Current	Planned
Minimum	62	63
Medium	62	64
Close	62	66



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July 29, 2015

Salaries: Educators

	House	Senate
--	-------	--------

Increases starting pay to \$35k/ yr

Y

Y

Adjusts salary schedule

Y

Y

(2% for
Tiers 2-6)

(Varies by
Tier)

Provides step increase

Y

Y

Continues FY 2014-15 bonuses

Y

Y

Adds 6th tier for school psychologists

Y

N



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6

July 29, 2015

Salaries: Educators

Statewide Teacher Salary Schedule: "A" Lane

Years of Experience	FY 2014-15	FY 2015-16 Proposed	
		House	Senate
Tier 1: 0-4	\$ 33,000	\$ 35,000	\$ 35,000
Tier 2: 5-9	36,500	37,230	38,250
Tier 3: 10-14	40,000	40,800	41,250
Tier 4: 15-19	43,500	44,370	44,250
Tier 5: 20-24	46,500	47,430	47,000
Tier 6: 25+	50,000	51,000	50,000

Salaries: School-based Administrators

	House	Senate
Adjusts salary schedule	Y (2%)	N
Provides step increase	Y	Y
Continues FY 2014-15 bonuses	Y	Y
Includes no pay decrease for Asst. Principals to Principals	Y	Y
Plans for changes to SBA schedule	Y	Y

Workers' Compensation (WC)

House

- Creates Joint Leg. WC Study Committee to make recommendations on WC administration, policies

Senate

- Budgets WC at the average of actual WC expenditures for FY 2012-13, 2013-14
- Establishes a \$5m NR reserve to settle existing WC claims
- Budgets a \$10m R savings beginning in FY 2016-17
- Consolidates WC administration into OSHR
- Directs DOA to reclassify 3 vacant positions to support WC



State Health Plan

	House	Senate
Sets aside funds requested by Board for 2015-17 biennium	Y	N
Encourages Board and Treasurer to reduce growth rate of expenditures	Y	Y



Retiree Medical

- Senate budget eliminates retiree medical benefits for new hires after 2015
- New hires would have the same coverage as current employees during their working years
- Does not affect retiree medical benefits for current retirees and employees, unless they withdraw contributions from retirement system

Retirement

- House budget exactly funds Annual Required Contribution, reflecting benefit enhancements
- Senate budget funds Annual Required Contribution after reducing interest rate assumption by 0.05% per year
 - Assumption change increases required appropriation by roughly \$45M per year in the short-run.
 - Decreases required contribution in the long-run.

Budget Comparison

Total increase in expenditures on
salary & benefit-related items

	House	Senate
Salaries: State Employees	\$ 190.2 m	\$ 75.3 m
Salaries: Educators & SBAs	\$ 180.0 m	\$ 157.5 m
Benefits	\$ 73.7 m	\$ 65 k
FY 2015-16	\$ 444.7 m	\$ 232.9 m
FY 2016-17	\$ 517.5 m	\$ 257.7 m

Questions?

Fiscal Research Division

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David Vanderweide

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Lanier McRee

Lanier.McRee@ncleg.net



Candace Slate (Rep. Nelson Dollar)

From: Candace Slate (Rep. Nelson Dollar) on behalf of Rep. Nelson Dollar
Sent: Wednesday, July 29, 2015 05:33 PM
To: Candace Slate (Rep. Nelson Dollar)
Subject: FW: Appropriations - written comments on Section 14.5 - Management of Impaired Lakes

From: Cassie Gavin [<mailto:cassie.gavin@sierraclub.org>]
Sent: Wednesday, July 29, 2015 5:16 PM
To: Rep. Nelson Dollar
Subject: Appropriations - written comments on Section 14.5 - Management of Impaired Lakes

Hello Representative Dollar,

Thank you for opening up the Appropriations Committee meeting today to public comments. I signed up but the committee ran out of time to get to all public speakers, so I'm sharing the NC Sierra Club comments below regarding Section 14.5 - Management of Impaired Lakes. Thanks again, Cassie Gavin

Good afternoon, my name is Cassie Gavin and I represent the North Carolina Sierra Club and our 60,000 members and supporters across the state. Thank you for taking an in-depth look at the Senate budget and, especially, for holding this hearing and allowing public comments.

As you know, there are many policy provisions in the Senate budget that have not had proper review and consideration before the House. These include a number of environmental policy proposals that were never taken up by Senate committees and so it is doubly important that they be vetted by the House. We urge the House to remove these policy provisions from the budget and refer them to the appropriate committee. Alternatively, we recommend that they be carried over to next session. The budget is not the place for controversial policy-making.

I'd like to focus on one particular Senate budget provision. That is Section 14.5 - Management of Impaired Lakes - at page 216. The Senate budget earmarks \$4.5 million for in-lake treatment efforts at Jordan Lake. It does so without any data on the effectiveness of the current program.



Jordan Lake provides drinking water to more than 300,000 Triangle residents. The Senate provision would extend the ongoing water-mixers pilot project in Jordan Lake and delay science-based pollution controls called the Jordan Lake Rules. The Jordan Lake pilot project set up in 2013 has not yet been completed - and there is no evidence that the project has been successful. There appears to be no justification or basis for expending more taxpayer money on this technology.

And again, as was the case in 2013, the Senate is proposing a no-bid contract to be awarded to one company.

Finally - the Senate proposes to delay cleanup rules with no matching delay of development in the watershed. That means that while the state delays lake cleanup the water quality of an important drinking water reservoir would likely get worse. The Jordan Lake rules were developed over many years by a diverse stakeholder group - the legislature should allow the existing cleanup plan to go forward rather than replacing it with a patchwork of unproven technology. We would assert that in-lake technology is not a legal substitute for upstream pollution controls under the federal Clean Water Act; an issue which should be addressed before more taxpayer funds are appropriated.

Again - the Sierra Club respectfully requests that the House either refer the Senate budget policy proposals to committee; or remove them and perhaps take them up in committee in the short session.

Thank you.

--

Cassie Gavin, Director of Government Relations
Sierra Club - NC Chapter
cassie.gavin@sierraclub.org
19 W. Hargett Street, Suite 210
Raleigh, NC 27601
919.833.8467 x 104

4



VISITOR REGISTRATION SHEET

House Comm. on Appropriations

07/29/15

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Date

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Dennis Burzio	NWC
Jack Cozart	NSS
Debra Cozart	NSS
Lana Hugh	Town of Cary
Dana Fentz	CLT
Brian Francis	Mecklenburg County
Daniel Bell	Town of Siler
Bill Grey	NCSHP/ DPS
Marsha Overby	NCSHP/OPS
Ryan Combs	OPS



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07/29/15

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Rachel Berlin	NCDPI
Evan Lee	"
Julie Robinson	NCSEA
TAMBERN	GDP, NCSEA, NCWF
Mark Lanier	UNCW
Govt Cagle	NMRS
TIM KENT	NC BEER / WINE
Lor. Ann Harris	LANTA
Marcus Goodner	GSL
May McCain A. H.	SELC



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House Comm. on Appropriations07/29/15

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Bob Shackleford	NC Assoc. of Comm. Coll. Presidents
Mary Shuping	NCCCS
Annaliese Dalph	DL
Bruce Thompson	PARKER POST
David Kuskins	REGIONAL Council I.R. Assn
Emily Atkinson	GRCL
Math Gross	NCPL
Tonya Horton	TSS
JOHN PETERSON	NCEDA



House Comm. on Appropriations 07/29/15

NAME _____

Christy Jones

New Frame LLC

Yaidee Fox

City of Hickory

Skye David

KLG

Steve Kavan

Glenn County Science Museum

David Efrd

NC Dept. of Commerce

Jeff Sural

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Currituck Chamber

Andy Walsh

SMITH ANDERSON

Mia Hogle

NCMMC

Sean McCole

NC SOL

Sarah Beth Kame

NC SOL

Jose Cisneros

New Frame

Ray Presnell Jr.

NC RSP

Bill R. Smith

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DEBORAH CARTER	Catawbas Regional Chamber
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SUSAN HARRISON	NCDTSEA
Patricia Smith	CCS
Cheryl Posner-Cahill	NC School Psych Assoc
J. Piers	CSS
Curtis McDaniel	BMS
Joan Peters	CSS
LC Pugh	CSS
Amy McConkey	NC Beverage



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Flint + Benson	SEANC
David Collins	SEANC
Steve Marge	NCRLA
Matthew Kuehn	NCRLA
Spencer Doh	NCALHO
Steve Phillips	AAA
Sarah Wolfe	MNC
Mary Foreman	NCAE
Rob Hamm	RLA
Penny Guffin	School for
Mayor Jill Swain	Huntersville



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07/29/15

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Eli Kozlowsky	NCCN
Will Morgan	TNC
Jonathan Moyer	NCLM
Bruce Mildwort	NCSBA
CHRIS NIDA	NCLM
Rose Williams	NCLM
Ruian Menwald	WM
Bre Klager	NCEL
David Helmer	NC Center for Nonprofits
Tom West	NCLM



VISITOR REGISTRATION SHEET

House Comm. on Appropriations

07/29/15

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Tony McEwen	City of Wilmington
Gray Cohen	Nelson Mullin
Evan Miller	NMRS
Ernest Pearson	NC Economic Developer Assn.
Sheila Davies	Town of Kill Devil Hills
William D. Totman	MWCLCC
Daniel Choyce	Stereo Club
MARK ZIMMERMAN	NCAK
Rick Zechini	WM
Isabel V. Garcia	NCAK
Sunder Becker	NC Continuing Care Residents Assoc.



VISITOR REGISTRATION SHEET

House Comm. on Appropriations

07/29/15

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Denna Henderson	Person County Schools, Roxboro, NC
Shirita Fuller	Person County Schools, Roxboro, NC
Julie Fagt	Person County Schools, Roxboro, NC
Emily Dayle	NCPAPA
Katherine Dwyer	NCASA
Cassie Gavin	Sierra Club
ERIN Jones	TWC
Sammy Roberson	TWC
Adam Sholar	DHHS
Patricia Yancy	SHIFT NC



VISITOR REGISTRATION SHEET

House Comm. on Appropriations

07/29/15

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Erin Hawthorne	ETHOR
Amanda Simon	JDA
Johanna Reese	NCACC
Hgt. Johnson	NCACC
Chris Dillon	WARE
Douglas Holbrook	NC SBA
Lesley Wade	3rd Grade Teacher Lacy Elem. WCPSS
Leanne Winters	NCSBA
Adam Pridmore	NCSBA
Carr McLamb	TSS
Lexi Annun	NCRMA



VISITOR REGISTRATION SHEET

House Comm. on Appropriations

07/29/15

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Trent Wamble	DHHS
John Collins	UCPS
Mary Ellis	Union Co. Public Schools
J. Munnell	Wake County P Schools
Quintin Cole	WCPS
Chp. Ego	NCRS
Elizabeth Biser	Brooks Pierce
Erica Nelson	NCHA
Fred Bone	Dome: ASO
Cody Hand	NCHA
Ryan Blackledge	Conc Health



Speakers for Full Approps—Wednesday July 28

Superintendents

- ✓ • Dr. Mary Ellis, Union County Public Schools 6
- ✓ • Dr. Jim Merrill, Wake County Public School System 4

Teacher

- ✓ • Lesley Wade, 3rd Grade, Lacy Elementary, Wake County 5
- ✓ • Julie Fogt, 1st Grade, North End Elementary, Person County 1

Principal

- ✓ • Sherita Fuller, North End Elementary, Person County 2

Teacher Assistant

- ✓ • Donna Henderson, North End Elementary, Person County 3

N.C. Center for Nonprofits

- ✓ • David R. Heinen, Vice President for Public Policy and Advocacy

Triple A Carolinas

- ✓ • Steve Phillips, Traffic and Safety Manager

Chamber of Commerce

- ✓ • David Bradley, Statesville Chamber
- ✓ • Natalie English, Charlotte Chamber
- ✓ • Emily Atkinson, Raleigh Chamber
- ✓ • Josh Bass, Currituck Chamber
- ✓ • Deborah Carter, Cabarrus Chamber

✓ • Jill Swaine Huntersville - Sales Tax



①

Name of Committee House Comm on App

Date 7/29/15

SPEAKER'S: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE
CLERK

HHS

possible

[illegible]



SPEAKERS SIGN-IN SHEET

Name of Committee House Comm. on App

Date 7/26/15

SPEAKER'S: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Dr. Randall Williams	Dep. Secretary, DHHS
Dave Richard	Dep. Secretary, DHHS
✓ Ardis Watkins	SEANUC

SPEAKERS SIGN-IN SHEET

Name of Committee	Appropriations
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Date **July 29, 2015**

SPEAKER'S: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE
CLERK

[illegible]

Corrected #1: Adding HB 482

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Appropriations** will meet as follows:

DAY & DATE: Wednesday, August 5, 2015

TIME: 8:30 AM

LOCATION: 643 LOB

COMMENTS: Meeting will continue discussion of HB97-2015 Appropriations Act. Interested parties will have the opportunity to speak as time permits.

The following bills will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 482	Employee Misclassification Reform.	Representative Pendleton Representative Blust Representative Szoka Representative Bishop

Respectfully,
Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 3:23 PM on Tuesday, August 04, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Candace Slate (Committee Assistant)



**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Appropriations** will meet as follows:

DAY & DATE: Wednesday, August 5, 2015

TIME: 8:30 AM

LOCATION: 643 LOB

COMMENTS: Meeting will continue discussion of HB97-2015 Appropriations Act. Interested parties will have the opportunity to speak as time permits.

NOTE: Additionally, we anticipate hearing HB 482 (Employee Misclassification Reform) currently in Judiciary II.

Respectfully,
Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 9:03 AM on Tuesday, August 04, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Candace Slate (Committee Assistant)



HOUSE COMMITTEE ON APPROPRIATIONS

Legislative Office Building, Room 643

August 5, 2015

8:30 a.m.

Opening Remarks

Rep. Linda Johnson

House Bill 482
Employee Misclassification Reform

*Reps. Pendleton, Blust, Szoka, and
Bishop*

House Bill 97 Discussion

HHS Budget Comparison

*Steve Owen
Fiscal Research Division*

Invited Guests

Adjourn



MINUTES
HOUSE COMMITTEE ON APPROPRIATIONS

Wednesday, August 5, 2015

8:30 a.m.

Legislative Office Building, Room 643

ATTENDEES:

Chairmen: Dollar, L. Johnson, Lambeth, McGrady

Vice Chairmen: Avila, Blackwell, Boles, Brisson, Cleveland, Daughtry, Dixon, Dobson, Faircloth, Hardister, Horn, Hurley, Iler, Presnell, Riddell, Shepard, Tine, Torbett, West

Members: Adcock, Ager, L. Bell, Brockman, Brody, Bryan, Bumgardner, Earle, Elmore, Farmer-Butterfield, Fisher, Floyd, Ford, Fraley, Gill, G. Graham, L. Hall, Hunter, Jackson, Johnson, Langdon, G. Martin, McNeill, Michaux, Millis, Pendleton, Pierce, Pittman, Queen, Richardson, Speciale, Stam, Stevens, Terry, B. Turner, R. Turner, Watford, Whitmire, Willingham, Wray, Yarborough

I. Call to Order

Chair, Linda Johnson presided and called the meeting to order at 8:36 a.m.

II. Introductions

Chair Johnson introduced students who were serving as pages and the Sargeant-at-Arms staff assisting with the meeting.

III. Action Agenda Item

A. HB482 Employee Misclassification Reform

Chair Johnson called upon Representative Gary Pendleton to review HB482 that would enact the Employee Fair Classification Act to prevent the misclassification of employees as independent contractors and make other reforms regarding employee misclassification.

Questions and comments were received from the following committee members: Representatives Faircloth, Stevens, Avila, Brody, Bumgardner, Millis, Dixon, Floyd Stam and Daughtry.

Representative Skip Stam moved favorable to HB482. The motion passed. HB482 was re-referred to Committee on Rules, Calendar and Operations of the House.

IV. Discussion Item

A. HB97: 2015 Appropriations Act

Steve Owen, Fiscal Research Division, presented to the committee a report summarizing major items in controversy between the House and Senate proposed budgets. Mr. Owens entertained questions from the following committee members: Blackwell, Stevens, Dobson, Michaux, Turner, Boles and Richardson.

V. Comments from the Public

Chair Johnson allowed comments from the public. The following persons addressed the committee:

From the Department of Health and Human Services –
Dave Richards, Deputy Secretary for Medical Assistance
Sherry Bradsher, Deputy Secretary for Human Services
Dale Armstrong, Deputy Secretary for Behavioral Health and Developmental Disability Services
Dr. Randall Williams, Deputy Secretary for Health Services

From the general public –
Rob Robinson, CEO, Alliance LME/MCO
Leza Wainwright, CEO Trillum LME/MCO
Shawn Howerton, CEO Sampson County Regional Hospital
Dr. Conrad Flick, NC Academy of Family Physicians – past president Wake County
Andrew Stehberger, Youth Villages
Jessica Lands, Youth Scholar for Youth Villages
Russell Jones, NC Continuing Care Residents Association

VI. Good of the Order

Chairman Donny Lambeth publicly thanked DHHS leadership for their hard work and often thankless job in moving the department forward over the past two-and-one-half years.

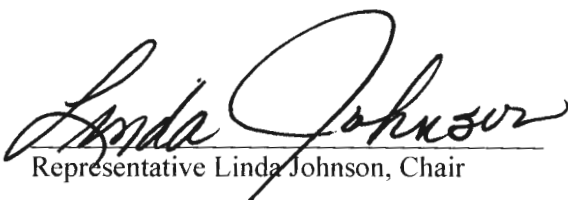
Chair Johnson thanked the Fiscal Research Staff for its efforts and support in providing information needed to make critical decisions regarding the Budget.

VII. Announcements

Chair Johnson announced that the House Appropriations Committee would meet on Wednesday, August 12th at 8:30 a.m. to continue its discussion of HB97.

VIII. Adjournment

The House Committee on Appropriations adjourned at 10:15 a.m.


Representative Linda Johnson, Chair


Panthea Briles, Committee Clerk

**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

APPROPRIATIONS COMMITTEE REPORT

**Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair**

FAVORABLE AND RE-REFERRED

HB 482 (CS#2)

Employee Misclassification Reform.

Draft Number: None

Serial Referral: **RULES, CALENDAR, AND
OPERATIONS OF THE HOUSE**

Recommended Referral: None

Long Title Amended: No

Floor Manager: Pendleton

TOTAL REPORTED: 1



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GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

3

HOUSE BILL 482
Committee Substitute Favorable 6/17/15
Committee Substitute #2 Favorable 8/4/15

Short Title: Employee Misclassification Reform.

(Public)

Sponsors:

Referred to:

April 2, 2015

A BILL TO BE ENTITLED
AN ACT TO ENACT THE EMPLOYEE FAIR CLASSIFICATION ACT.
The General Assembly of North Carolina enacts:

PART I. EMPLOYEE FAIR CLASSIFICATION ACT

SECTION 1.1. Chapter 143 of the General Statutes is amended by adding a new Article to read:

"Article 81.

"Employee Fair Classification Act.

"§ 143-760. Title.

This Article shall be known and may be cited as the "Employee Fair Classification Act."

"§ 143-761. Definitions; scope.

(a) The following definitions apply in this Article:

- (1) Employ. – As defined by G.S. 95-25.2(3). For the purposes of this Article, an entity or individual shall not be deemed to be an employer of an individual hired or otherwise engaged by or through the entity or individual's independent contractor.
- (2) Employee. – Any individual that is defined as an employee by either G.S. 95-25.2(4), 96-1(10), 97-2(2), or 105-163.1(4). The term does not mean an individual who is an independent contractor.
- (3) Employee Classification Division or Division. – The Employee Classification Division within the Department of Revenue.
- (4) Employee misclassification. – Avoiding tax liabilities and other obligations imposed by Chapter 95, 96, 97, or 105 of the General Statutes by misclassifying an employee as an independent contractor.
- (5) Employer. – Any individual or entity that employs one or more employees as defined by G.S. 97-2(3).
- (6) Secretary. – The Secretary of the Department of Revenue.

(b) Nothing in this Article shall be construed or is intended to change the definition of "employer" or "employee" under any other provision of law.

"§ 143-762. Establishment of Employee Classification Division; appointment of director; salaries; other staff.

(a) The Employee Classification Division is established within the Department of Revenue.



* H 4 8 2 - V - 3 *

(b) The Secretary shall appoint a director of the Division to serve at the Secretary's pleasure with such authority as the Secretary deems necessary to direct and oversee the Division in carrying out the purposes of this Article. The director shall be exempt from the State Human Resources Act and shall devote his or her entire time to the duties of the Division. The director may delegate any duties and responsibilities as may be necessary to ensure the proper management of the Division. The director's salary shall be set by the General Assembly.

(c) The Secretary may employ clerical staff, investigators, and other staff within the Division as is necessary for the Division to perform its duties under this Article. Notwithstanding Chapters 126, 143A, and 143B of the General Statutes or any other provision of law, the director may hire or fire personnel and transfer personnel within the Division. The Division shall be provided with adequate offices in which the Division's records shall be kept and its official business transacted during regular business hours. The Division shall also be provided with necessary office furniture, stationery, and other supplies.

(d) The Office of the State Chief Information Officer shall ensure that the Division is provided with all necessary access to the Government Data Analytics Center and all other information technology services.

"§ 143-763. Division powers and duties.

(a) The Division shall have the following duties:

- (1) Be available during business hours to receive reports of employee misclassification by telephonic, written, or electronic communication.
- (2) Investigate reports of employee misclassification and coordinate with and assist all relevant State agencies in recovering any back taxes, wages, benefits, penalties, or other monies owed as a result of an employer engaging in employee misclassification.
- (3) Assess administrative civil penalties for instances of employee misclassification as set forth in G.S. 143-765.
- (4) Coordinate with relevant State agencies and District Attorneys' offices in the prosecution of employers and individuals who fail to pay civil assessments or penalties assessed as a result of the employer's or individual's involvement in employee misclassification.
- (5) Provide all relevant information pertaining to each instance of reported employee misclassification to the North Carolina Department of Labor, the North Carolina Division of Employment Security, and the North Carolina Industrial Commission to facilitate investigation of potential violations of Chapter 143, 95, 96, 97, or 105 of the General Statutes.
- (6) Create a publicly available notice that includes the definition of employee misclassification and indicates the civil penalties provided for in G.S. 143-765.
- (7) Develop methods and strategies for information sharing between State agencies in order to proactively identify possible instances of employee misclassification.
- (8) Develop methods and strategies to educate employers, employees, and the public about proper classification of employees and the prevention of employee misclassification.

(b) The director shall appoint an informal advisory council to advise the director on issues within the jurisdiction of the Division. The members of the advisory council shall include, at a minimum:

- (1) The following officers or the officer's designee:
 - a. Commissioner of Labor.
 - b. Secretary of Revenue.
 - c. Chairman of the Industrial Commission.

d. Assistant Secretary of Commerce for the Division of Employment Security.

e. State Budget Director.

(2) A representative of workers in this State.

(3) A representative of employers in this State.

The members of the council shall not receive compensation, per diem, or expense reimbursement from the State Treasury for their service on the advisory council.

(c) No later than October 1 of each year, the Division shall publish annually to the Office of the Governor and to the Joint Legislative Commission on Governmental Operations a report of the administration of this Article, together with any recommendations as the Division deems advisable. This report shall include, at a minimum, the number of reports of employee misclassification received, the number and amount of back taxes, wages, benefits, penalties, or other monies assessed, the amount of back taxes, wages, benefits, penalties, or other monies collected, and the number of cases referred to each State agency.

(d) The Division shall adopt rules in accordance with Article 2A of Chapter 150B of the General Statutes and that are not inconsistent with this Article for the purpose of carrying out the provisions of this Article and establishing the processes and procedures to be used under this Article.

"§ 143-764. Determination of independent contractor status.

(a) The following factors shall be considered in determining whether an individual is an independent contractor for purposes of this Article:

(1) Whether the individual is engaged in an independent business, calling, or occupation.

(2) Whether the individual is to have the independent use of his or her special skill, knowledge, or training in the execution of the work.

(3) Whether the individual is doing a specified piece of work at a fixed price or for a lump sum or upon a quantitative basis.

(4) Whether the individual is not subject to discharge because he or she adopts one method of doing the work rather than another.

(5) Whether the individual is not in the regular employ of the other contracting party.

(6) Whether the individual is free to use such assistants as he or she may think proper.

(7) Whether the individual has full control over such assistants.

(8) Whether the individual selects his or her own time.

(b) The presence of one or more of the foregoing factors is not controlling, nor is the presence of all of the foregoing factors required in determining whether an individual is an independent contractor.

(c) The provisions of this section are intended to codify the holding in *Hayes v. Board of Trustees of Elon College*, 224 N.C. 11 (1944). Other factors consistent with that holding may also be considered in making a determination under this section.

"§ 143-765. Employee misclassification prohibited; civil penalties; repeated instances of misclassification.

(a) Employee misclassification is prohibited.

(b) Any employer who is found by the Division to have engaged in willful employee misclassification after being assessed any back taxes, wages, benefits, penalties, or other monies by any State agency as a result of misclassifying one or more employees within the previous three calendar years shall be assessed a civil penalty of no greater than one thousand dollars (\$1,000) per misclassified employee for any future instances of employee misclassification. In determining the amount of the penalty to be assessed, the Division shall consider the degree of willfulness or negligence by the employer in engaging in the employee

1 misclassification. The penalty herein provided shall be assessed by the Division
2 administratively. Any employer found by the Division to have engaged in employee
3 misclassification or any other violation of this Article may, within 60 days of receiving written
4 notification of a final finding by the Division, appeal the final finding and any accompanying
5 penalty or other sanction by either (i) commencing a contested case under Chapter 150B of the
6 General Statutes or (ii) filing a petition with the Superior Court of Wake County or of such
7 county where the events giving rise to the finding arose. The procedure shall be the same as in
8 all other contested cases or civil actions, except that the review of the Division's findings and
9 any accompanying penalties or sanctions shall be de novo for both factual findings and
10 questions of law. Enforcement of the penalty shall be made by the Office of the Attorney
11 General. The clear proceeds of penalties provided for in this subsection shall be remitted to the
12 Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

13 (c) Nothing in this section shall be construed to create a private right of action, at law or
14 in equity, for the activities prohibited by this Article.

15 **"§ 143-766. Temporary amnesty program.**

16 (a) The Division shall establish and administer a temporary amnesty program for the
17 purpose of encouraging voluntary self-reporting by employers currently engaging in employee
18 misclassification. Every employer participating in the temporary amnesty program shall be
19 immune from the civil penalties provided for in G.S. 143-765 for past instances of employee
20 misclassification that are voluntarily self-reported by the employer in accordance with the
21 procedures of the temporary amnesty program.

22 (b) The Division shall establish procedures for participation in the temporary amnesty
23 program. These procedures shall require, at a minimum, that a participating employer:

24 (1) File an application with the Division on a form prescribed by the Division on
25 or before October 1, 2016. This form shall require, at a minimum, the
26 employer's name, physical address, mailing address, telephone number,
27 Social Security number or taxpayer ID number, and disclosure of all actual
28 or potential instances of employee misclassification. If available, this form
29 shall require the employer's registered agent, drivers license number, license
30 number(s), and issuing agency of all licenses issued by a State licensing
31 board.

32 (2) Comply with any and all determinations made or directives issued by the
33 Division pertaining to the employer's application and compliance with this
34 Article.

35 (c) Nothing in this section shall be construed to limit the liability of a participating
36 employer in any civil or criminal matter not provided for by this Article.

37 **"§ 143-767. Occupational licensing boards and commissions; notice requirement;**
38 **applicant certification.**

39 (a) Every State occupational licensing board or commission that is authorized to issue
40 any license, permit, or certification shall include on every application for licensure, permit, or
41 certification, or application for renewal of the same, a certification that the applicant has read
42 and understands the employee misclassification notice set forth in G.S. 143-763(a)(7).

43 (b) Every applicant for a license, permit, or certification issued by a State occupational
44 licensing board or commission shall truthfully certify on the appropriate application that the
45 applicant has read and understands the employee misclassification notice set forth in
46 G.S. 143-763(a)(7).

47 (c) An occupational licensing board or commission shall deny the license, permit, or
48 certification application of any applicant who fails to comply with the certification requirement
49 set forth in subsection (b) of this section.

50 **"§ 143-768. Confidentiality; access to records.**

1 The records of the Division that are not civil penalty assessments or final orders relating to
2 an appeal of a civil penalty assessment, insofar as they refer to reported violations,
3 investigations, or other enforcement actions taken by the Division, are not public records under
4 G.S. 132-1 but may be shared by the Division with State and federal agencies as permitted or
5 required by law."

6 **SECTION 1.2.** G.S. 97-5.1 is repealed.

7 **SECTION 1.3.** G.S. 105-259(b) is amended by adding a new subdivision to read:

8 "(49) To furnish to the North Carolina Department of Labor, the North Carolina
9 Division of Employment Security, and the North Carolina Industrial
10 Commission employee misclassification information pursuant to
11 G.S. 143-763(a)(5) unless prohibited by law."

12 **SECTION 1.4.** G.S. 143-760, 143-761, and 143-762 are effective when the act
13 becomes law. The remainder of this section becomes effective January 1, 2016, and applies to
14 instances of employee misclassification occurring on or after that date.

15 16 **PART II. MISCLASSIFICATION NOTICE ADDED TO NCDOL POSTERS**

17 **SECTION 2.1.** G.S. 95-25.15(c) reads as rewritten:

18 "(c) A poster summarizing the major provisions of this Article shall be displayed in
19 every establishment subject to this Article. This poster shall also include notice indicating the
20 following:

- 21 (1) Any worker who is defined as an employee by either G.S. 95-25.2(4),
22 143-761(2), 96-1(10), 97-2(2), or 105-163.1(4) shall be treated as an
23 employee unless the individual is an independent contractor.
24 (2) Any employee who believes that he or she has been misclassified as an
25 independent contractor by their employer may report the suspected
26 misclassification to the Employee Classification Division within the
27 Department of Revenue.
28 (3) The physical location, mailing address, telephone number, and e-mail
29 address where alleged incidents of employee misclassification may be
30 reported to the Employee Classification Division within the Department of
31 Revenue."
32

33 **PART III. SANCTIONS AND OTHER REQUIREMENTS CONCERNING** 34 **EMPLOYEE MISCLASSIFICATION**

35 **SECTION 3.1.** G.S. 87-11 reads as rewritten:

36 "**§ 87-11. Revocation of license; charges of fraud, negligence, incompetency, etc.; hearing**
37 **thereon; reissuance of certificate.**

38 (a) The Board shall have the power to refuse to issue or renew or revoke, suspend, or
39 restrict a certificate of license or to issue a reprimand or take other disciplinary action if a
40 general contractor licensed under this Article is found guilty of any fraud or deceit in obtaining
41 a license, or gross negligence, incompetency, or misconduct in the practice of his or her
42 profession, or willful violation of any provision of this ~~Article~~. Article, or if a penalty was
43 imposed pursuant to G.S. 143-765(b) that has been upheld upon final adjudication, the violation
44 giving rise to the penalty was willful, and there was no good-faith argument that the individual
45 was an independent contractor. The Board shall also have the power to revoke, suspend, or
46 otherwise restrict the ability of any person to act as a qualifying party for a license to practice
47 general contracting, as provided in G.S. 87-10(c), for any copartnership, corporation or any
48 other organization or combination, if that person committed any act in violation of the
49 provisions of this section and the Board may take disciplinary action against the individual
50 license held by that person.

(a) Any person may prefer charges of fraud, deceit, negligence, or misconduct against any general contractor licensed under this Article. The charges shall be in writing and sworn to by the complainant and submitted to the Board. The charges, unless dismissed without hearing by the Board as unfounded or trivial, shall be heard and determined by the Board in accordance with the provisions of Chapter 150B of the General Statutes.

(b) The Board shall adopt and publish guidelines, consistent with the provisions of this Article, governing the suspension and revocation of licenses. These guidelines shall include references to the prohibition of employee misclassification under Article 81 of Chapter 143 of the General Statutes and state that engaging in employee misclassification is grounds for revocation of a license issued under this Article.

(c) The Board shall establish and maintain a system whereby detailed records are kept regarding complaints against each licensee. This record shall include, for each licensee, the date and nature of each complaint, investigatory action taken by the Board, any findings by the Board, and the disposition of the matter.

(d) The Board may reissue a license to any person, firm or corporation whose license has been revoked: Provided, five or more members of the Board vote in favor of such reissuance for reasons the Board may deem sufficient.

The Board shall immediately notify the Secretary of State of its findings in the case of the revocation of a license or of the reissuance of a revoked license.

A certificate of license to replace any certificate lost, destroyed or mutilated may be issued subject to the rules and regulations of the Board.

(e) The Board shall be entitled to recover its reasonable administrative costs associated with the investigation and prosecution of a violation of this Article or rules or regulations of the Board up to a maximum of five thousand dollars (\$5,000) for any licensee or qualifying party found to have committed any of the following:

(1) Fraud or deceit in obtaining a license.

(2) Gross negligence, incompetency, or misconduct in the practice of general contracting.

(3) Willful violation of any provision of this Article."

SECTION 3.1A. G.S. 87-23 reads as rewritten:

"§ 87-23. Revocation or suspension of license for cause.

(a) The Board shall have power to revoke or suspend the license of or order the reprimand or probation of any plumbing, heating, or fire sprinkler contractor, or any combination thereof, who is guilty of any fraud or deceit in obtaining or renewing a license, or who fails to comply with any provision or requirement of this Article, or the rules adopted by the Board, if a penalty was imposed pursuant to G.S. 143-765(b) that has been upheld upon final adjudication, the violation giving rise to the penalty was willful, and there was no good-faith argument that the individual was an independent contractor, or for gross negligence, incompetency, or misconduct, in the practice of or in carrying on the business of a plumbing, heating, or fire sprinkler contractor, or any combination thereof, as defined in this Article. Any person may prefer charges of such fraud, deceit, gross negligence, incompetency, misconduct, or failure to comply with any provision or requirement of this Article, or the rules of the Board, against any plumbing, heating, or fire sprinkler contractor, or any combination thereof, who is licensed under the provisions of this Article. All of the charges shall be in writing and investigated by the Board. Any proceedings on the charges shall be carried out by the Board in accordance with the provisions of Chapter 150B of the General Statutes.

(b) The Board shall adopt and publish guidelines, consistent with the provisions of this Chapter, governing the suspension and revocation of licenses.

(c) The Board shall establish and maintain a system whereby detailed records are kept regarding complaints against each licensee.

(d) The Board may conduct audits of the pay records and project records of licensee firms in furtherance of this Article or the Employee Fair Classification Act, Article 81 of Chapter 143 of the General Statutes."

SECTION 3.1B. G.S. 87-42 reads as rewritten:

"§ 87-42. Duties and powers of Board.

In order to protect the life, health and property of the public, the State Board of Examiners of Electrical Contractors shall provide for the written examination of all applicants for certification as a qualified individual, as defined in G.S. 87-41.1. The Board shall receive all applications for certification as a qualified individual and all applications for licenses to be issued under this Article, shall examine all applicants to determine that each has met the requirements for certification and shall discharge all duties enumerated in this Article. Applicants for certification as a qualified individual must be at least 18 years of age and shall be required to demonstrate to the satisfaction of the Board their good character and adequate technical and practical knowledge concerning the safe and proper installation of electrical work and equipment. The examination to be given for this purpose shall include, but not be limited to, the appropriate provisions of the National Electrical Code as incorporated in the North Carolina State Building Code, the analysis of electrical plans and specifications, estimating of electrical installations, and the fundamentals of the installation of electrical work and equipment. Certification of qualified individuals shall be issued in the same classifications as provided in this Article for license classifications. The Board shall prescribe the standards of knowledge, experience and proficiency to be required of qualified individuals, which may vary for the various license classifications. The Board shall issue certifications and licenses to all applicants meeting the requirements of this Article and of the Board upon the receipt of the fees prescribed by G.S. 87-44. The Board shall have power to make rules and regulations necessary to the performance of its duties and for the effective implementation of the provisions of this Article. The Board may conduct audits of the pay records and project records of licensee firms in furtherance of this Article or the Employee Fair Classification Act, Article 81 of Chapter 143 of the General Statutes. The Board shall have the power to administer oaths and issue subpoenas requiring the attendance of persons and the production of papers and records before the Board in any hearing, investigation, or proceeding conducted by it. Members of the Board's staff or the sheriff or other appropriate official of any county of this State shall serve all notices, subpoenas, and other papers given to them by the Chairman for service in the same manner as process issued by any court of record. Any person who neglects or refuses to obey a subpoena issued by the Board shall be guilty of a Class 1 misdemeanor. The Board shall have the power to acquire, rent, encumber, alienate, and otherwise deal with real property in the same manner as a private person or corporation, subject only to approval of the Governor and the Council of State. Collateral pledged by the Board for an encumbrance is limited to the assets, income, and revenues of the Board. The Board shall keep minutes of all its proceedings and shall keep an accurate record of receipts and disbursements which shall be audited at the close of each fiscal year by a certified public accountant, and the audit report shall be filed with the State of North Carolina in accordance with Chapter 93B of the General Statutes."

SECTION 3.1C. G.S. 87-47(a1) reads as rewritten:

"(a1) The following activities are prohibited:

- (1) Offering to engage or engaging in electrical contracting without being licensed.
- (2) Selling, transferring, or assigning a license, regardless of whether for a fee.
- (3) Aiding or abetting an unlicensed person, partnership, firm, or corporation to offer to engage or to engage in electrical contracting.
- (4) Being convicted of a crime involving fraud or moral turpitude.
- (5) Engaging in fraud or misrepresentation to obtain a certification, obtain or renew a license, or practice electrical contracting.

(6) Engaging in false or misleading advertising.

(7) Engaging in malpractice, unethical conduct, fraud, deceit, gross negligence, gross incompetence, or gross misconduct in the practice of electrical contracting.

(8) Willfully engaging in employee misclassification in violation of G.S. 143-765(b) where there was no good-faith argument that the individual was an independent contractor."

SECTION 3.2. G.S. 143-59.2(a) reads as rewritten:

"(a) Ineligible Vendors. – A vendor is not entitled to enter into a contract for goods or services with any department, institution, or agency of the State government subject to the provisions of this Article if any officer or director of the vendor, or any owner if the vendor is an unincorporated business ~~entity, entity~~; within five years prior to the date of the bid solicitation, has been assessed a civil penalty pursuant to G.S. 143-765(b) that has been upheld upon final adjudication, the violation giving rise to the penalty was willful, and there was no good-faith argument that the individual was an independent contractor; or within 10 years immediately prior to the date of the bid solicitation, has been convicted of any violation of Chapter 78A of the General Statutes or the Securities Act of 1933 or the Securities Exchange Act of 1934."

SECTION 3.3. G.S. 153A-134 is amended by adding a new subsection to read:

"(d) An applicant subject to regulation and licensure by a county under this section shall certify to the county on the relevant application that the applicant has read and understands the employee misclassification notice required under G.S. 143-763(a)(7)."

SECTION 3.4. G.S. 160A-194 is amended by adding a new subsection to read:

"(d) An applicant subject to regulation and licensure by a city under this section shall certify to the city on the relevant application that the applicant has read and understands the employee misclassification notice required under G.S. 143-763(a)(7)."

SECTION 3.5. G.S. 153A-360 reads as rewritten:

"§ 153A-360. Inspections of work in progress.

(a) As the work pursuant to a permit progresses, local inspectors shall make as many inspections of the work as may be necessary to satisfy them that it is being done according to the provisions of the applicable State and local laws and local ordinances and regulations and of the terms of the permit. In exercising this power, each member of the inspection department has a right, upon presentation of proper credentials, to enter on any premises within the territorial jurisdiction of the department at any reasonable hour for the purposes of inspection or other enforcement action. If a permit has been obtained by an owner exempt from licensure under G.S. 87-1(b)(2), no inspection shall be conducted without the owner being personally present, unless the plans for the building were drawn and sealed by an architect licensed pursuant to Chapter 83A of the General Statutes.

(b) Each owner shall certify to the county on the relevant application that the owner has read and understands the employee misclassification notice required under G.S. 143-763(a)(7)."

SECTION 3.6. G.S. 160A-420 reads as rewritten:

"§ 160A-420. Inspections of work in progress.

(a) As the work pursuant to a permit progresses, local inspectors shall make as many inspections thereof as may be necessary to satisfy them that the work is being done according to the provisions of any applicable State and local laws and of the terms of the permit. In exercising this power, members of the inspection department shall have a right to enter on any premises within the jurisdiction of the department at all reasonable hours for the purposes of inspection or other enforcement action, upon presentation of proper credentials. If a permit has been obtained by an owner exempt from licensure under G.S. 87-1(b)(2), no inspection shall be conducted without the owner being personally present, unless the plans for the building were drawn and sealed by an architect licensed pursuant to Chapter 83A of the General Statutes.

1 (b) Each owner shall certify to the city on the relevant application that the owner has
2 read and understands the employee misclassification notice required under G.S. 143-763(a)(7)."
3

4 **PART IV. APPROPRIATIONS**

5 **SECTION 4.(a)** There is appropriated from the General Fund to the Department of
6 Revenue the sum of two hundred ninety-three thousand dollars (\$293,000) for the 2015-2016
7 fiscal year and the sum of two hundred ninety-three thousand dollars (\$293,000) for the
8 2016-2017 fiscal year to establish up to five new positions in the Employee Classification
9 Division of the Department of Revenue to carry out the duties of the Division pursuant to
10 G.S. 143-763. The Department of Revenue shall consult with the Industrial Commission, the
11 Office of State Budget and Management, the Division of Employment Security of the
12 Department of Commerce, and the Department of Labor in hiring staff for this function.

13 **SECTION 4.(b)** There is appropriated from the General Fund to the Employee
14 Classification Division of the Department of Revenue the sum of seventeen thousand five
15 hundred dollars (\$17,500) for the 2015-2016 fiscal year for nonrecurring costs associated with
16 the positions authorized by this section.
17

18 **PART V. SEVERABILITY**

19 **SECTION 5.** If any section or provision of this act is declared unconstitutional or
20 invalid by the courts, it does not affect the validity of this act as a whole or any part other than
21 the part so declared to be unconstitutional or invalid.
22

23 **PART VI. EFFECTIVE DATE**

24 **SECTION 6.** Except as otherwise provided, this act becomes effective January 1,
25 2016.





HOUSE BILL 482: Employee Misclassification Reform

2015-2016 General Assembly

Committee: House Appropriations
Introduced by: Reps. Pendleton, Blust, Szoka, Bishop
Analysis of: Third Edition

Date: August 5, 2015
Prepared by: Committee Staff

SUMMARY: *House Bill 482 would enact the Employee Fair Classification Act (Act) to prevent the misclassification of employees as independent contractors and make other reforms regarding employee misclassification.*

BILL ANALYSIS:

PART I. EMPLOYEE FAIR CLASSIFICATION ACT

Section 1 would create a new Article in Chapter 143 of the General Statutes entitled the "Employee Fair Classification Act" (Act).

Employee Classification Division: The bill would establish the Employee Classification Division (Division) in the Department of Revenue to carry out the purposes of the Act. The Secretary of Revenue would appoint the Director of the Division. The Division would have the following duties:

- Be available to receive reports of employee misclassification by telephonic, written, or electronic communication.
- Investigate reports of employee misclassification and assist all relevant State agencies in recovering any back taxes, wages, benefits, penalties, or other monies as a result of employee misclassification.
- Assess administrative civil penalties for instances of employee misclassification.
- Coordinate with relevant State agencies and District Attorneys' offices in the prosecution of employers and individuals who fail to pay civil assessments or penalties assessed as a result of the employer or individual's involvement in employee misclassification.
- Provide all relevant information pertaining to each instance of reported employee misclassification to the North Carolina Department of Labor, the North Carolina Department of Revenue, the North Carolina Division of Employment Security, and the North Carolina Industrial Commission to facilitate investigation of potential statutory violations.
- Create a publicly available notice that includes the definition of employee misclassification and indicates the civil penalties.
- Develop methods and strategies for information sharing between State agencies in order to proactively identify possible instances of employee misclassification.
- Develop methods and strategies to educate employers, employees, and the public about proper classification of employees and the prevention of employee misclassification.

Informal Advisory Council: The Director must appoint an informal advisory council to assist with matters within the jurisdiction of the Division. The advisory council includes the following members:

Kory Goldsmith
Director



Legislative Drafting
(919) 733-6660

House Bill 482

Page 2

- The following officers or their designee: Commissioner of Labor; Secretary of Revenue; Chairman of the Industrial Commission; the Assistant Secretary of Commerce for the Division of Employment Security, and the State Budget Director.
- A representative of workers in this State.
- A representative of employers in this State.

Reporting: The Division would issue annually on October 1 to the Joint Legislative Commission on Governmental Operations a report on the administration of the Article and any recommendations of the Division. The report would include: the number of reports of employee misclassification received; the number and amount of back taxes, wages, benefits, penalties, or other monies assessed; the amount of back taxes, wages, benefits, penalties, or other monies collected; and the number of cases referred to each State agency.

Determination of Independent Contractor Status: This provision is intended to codify the holding in *Hayes v. Board of Trustees of Elon College*. Any factors consistent with the holding, including the following factors, would be considered when determining whether an individual is an independent contractor:

- Whether the individual is engaged in an independent business, calling, or occupation.
- Whether the individual is to have the independent use of his or her special skill, knowledge, or training in the execution of the work.
- Whether the individual is doing a specified piece of work at a fixed price or for a lump sum or upon a quantitative basis.
- Whether the individual is not subject to discharge because he or she adopts one method of doing the work rather than another.
- Whether the individual is not in the regular employ of the other contracting party.
- Whether the individual is free to use such assistants as he or she may think proper.
- Whether the individual has full control over such assistants.
- Whether the individual selects his or her own time.

Prohibition on Employee Misclassification and Civil Penalties: The bill would prohibit employee misclassification. Employee misclassification is defined as avoiding tax liabilities and other obligations imposed by Chapter 95, Chapter 96, Chapter 97, or Chapter 105 of the General Statutes by misclassifying an employee as an independent contractor.

If an employer is found by the Division to have engaged in willful employee misclassification and has been assessed back taxes, wages, benefits, penalties, or other monies by any State agency as a result of misclassifying one or more employees within the previous three calendar years, then subsequent violations as determined by the Division may result in civil penalties up to \$1,000 per misclassified employee.

An employer may appeal from a final finding of and penalty imposed by the Division within 60 days of receiving written notice by either (1) commencing a contested case before the Office of Administrative Hearings, or (2) filing a petition in Superior Court of Wake County or the county where the events occurred.

House Bill 482

Page 3

Temporary Amnesty Program: The Division would establish and administer a temporary amnesty program to encourage voluntary self-reporting by employers currently engaging in employee misclassification. Employers participating in this program would be immune from civil penalties for past instances of employee misclassification that are voluntarily self-reported.

The Division would establish procedures for participation in the temporary amnesty program. These procedures would require, at minimum, the employer file an application with the Division before October 1, 2016 and comply with all determinations and directives issued by the Division pursuant to this Act.

Nothing in this section would be construed to limit the liability of an employer in a civil or criminal matter not provided for by this Act.

Notice and Certification Requirement by Occupational Licensing Boards and Commissions: Every State occupational licensing board or commission would be required to include on every application for licensure, permit, or certification, a certification that the applicant has read and understands the employee misclassification notice provided by the Division. Every applicant for a license, permit, or certification shall certify that he or she has read and understands the misclassification notice. An occupational licensing board or commission would be required to deny the license, permit, or certification of any applicant who fails to comply with the certification requirement.

Confidentiality: The records of the Division would not be public records. This does not apply to civil penalty assessments or final orders relating to an appeal of a civil penalty assessment, or other enforcement actions taken by the Division. The Division may share records with State and federal agencies as permitted or required by law.

Taxicab Drivers: Section 1.2 would repeal G.S. 97-5.1, which creates a rebuttable presumption that taxicab drivers are independent contractors under the Workers' Compensation Act.

Effective Date: The statutory provisions which establish the Division are effective when the bill becomes law. The remainder of this section becomes effective January 1, 2016, and applies to instances of employee misclassification occurring on or after that date.

PART II. MISCLASSIFICATION NOTICE ADDED TO NCDOL POSTERS

Section 2 would require the Department of Labor to include on the required poster summarizing the Wage and Hour Act in covered businesses, a notice indicating the following:

- Any worker who is defined as an employee under the law shall be treated as an employee unless the individual is an independent contractor.
- Any employee who believes that he or she has been misclassified may report to the Division.
- The physical location, mailing address, telephone number, and email address where alleged incidents of misclassification occurred may be reported to the Division.

PART III. SANCTIONS AND OTHER REQUIREMENTS

Section 3.1 would authorize the State Licensing Board for General Contractors to refuse to issue or renew or revoke, suspend, or restrict a license or take disciplinary action if a civil penalty was imposed on a licensed general contractor pursuant to a violation of the Act, if the violation was willful, and there was no good faith argument that the individual was an independent contractor. This section would also direct the Board to adopt and publish guidelines referencing the prohibition on employee misclassification and providing that a violation of that prohibition is grounds for revocation of a license.

House Bill 482

Page 4

Section 3.1A would make an identical change to the law governing the disciplinary authority of the State Licensing Board for Plumbing, Heating, and Fire Sprinkler Contractors. The Board would also be authorized to conduct audits of the pay and project records of licensees in furtherance of the Act.

Section 3.1B would authorize the State Board of Examiners of Electrical Contractors, to conduct audits in furtherance of the Act.

Section 3.1C makes willful employee misclassification with no good faith argument that an electrical contractor was an independent contractor a prohibited activity under the Act.

Section 3.2 would make a vendor ineligible to enter into a contract with an agency of the State government if, within five years of the bid solicitation, the vendor has been assessed a civil penalty for a violation of the Act.

Section 3.3 and 3.4 would require applicants subject to regulation and licensure by a county or city to certify to the county or city that they have read and understand the employee misclassification notice provided by the Division.

Section 3.5 and 3.6 would require owners of sites with work in progress subject to local inspection by the county or city to certify to the county or city that they have read and understand the employee misclassification notice provided by the Division.

PART IV. APPROPRIATION

Section 4 would provide an appropriation to the Department of Revenue to establish up to five new positions to implement the Act.

EFFECTIVE DATE: Except as otherwise provided, the bill becomes effective January 1, 2016.

Karen Cochrane-Brown, Layla Cummings and Brad Krehely, Staff Attorneys with the Research Division, contributed substantially to this summary.

FY 2015-17 Budget (HB 97, 2015 Appropriations Act) Major Items in Controversy

Division	House 2015-16		House 2016-17		Senate 2015-16		Senate 2016-17		Senate vs House 2015-16	Senate vs House 2016-17
Central Management										
Reductions										
2 Personal Services Contracts	(7,000)		(7,000)		(3,200,000)	NR			(3,193,000)	7,000
3 NCTRAKS-System Savings (2413,1122)					(4,775,749)		(4,775,749)		(4,775,749)	(4,775,749)
Expansion										
5 Division of Information Resource Management (1122,1123)	3,700,000	NR							(3,700,000)	-
6 Residential Hospice	20,000,000	NR							(20,000,000)	-
7 NC FAST (2411,112)	5,803,000	NR	13,052,000	NR					(5,803,000)	(13,052,000)
8 NC FAST System Development (2411,1122) Senate - receipts only									-	-
9 Child Welfare Case Management System (1910)					5,803,000	NR	13,052,000	NR	5,803,000	13,052,000
10 Competitive Block Grant Transfer from Division of Public Health (1910) due to the elimination of the Office of Minority Health and the Physical Activity and Nutrition Branch in the Division of Public Health					3,410,420		3,410,420		3,410,420	3,410,420
11 Health Information Exchange (HIE) (1910)	3,160,611		3,160,611		8,000,000		8,000,000		4,839,389	4,839,389

Child Development and Early Education

Expansion										
12 NC Pre-K (1330) (House adds \$2,716,401 in Lottery receipts.)	2,323,599		2,323,599		2,323,599		2,323,599		-	-
13 Child Care Subsidy Market Rate Increase (1380)					4,200,000		5,000,000		4,200,000	5,000,000
14 Early Childhood Education and Development Plan					300,000	NR			300,000	-

Public Health

Expansion										
15 Improve Services at the Office of the Chief Medical Examiner	750,000		2,945,000		1,150,000		3,345,000		400,000	400,000

FY 2015-17 Budget (HB 97, 2015 Appropriations Act) Major Items in Controversy

Division	House 2015-16		House 2016-17		Senate 2015-16		Senate 2016-17		Senate vs House 2015-16	Senate vs House 2016-17
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Social Services

	Expansion									
16	Successful Transition of Youths in Foster Care (1532)	1,300,000		1,750,000					(1,300,000)	(1,750,000)
17	Foster Care Expansion to Age 19 (1532)	50,000	NR	1,200,000	NR				(50,000)	(1,200,000)
18	Foster Care Expansion to Age 21 (1532)					50,000	2,000,000		50,000	2,000,000
19	Maternity Homes (1110)					925,000	925,000		925,000	925,000

Medical Assistance

	Reductions									
20	LME/MCO 2% risk reserve contribution elimination			(17,373,477)		(8,444,580)	(17,236,985)		(8,444,580)	136,492
21	Hospital Inpatient Base Rates - GME					(12,748,795)	(31,127,204)		(12,748,795)	(31,127,204)
22	CCNC Contract					(32,475,000)	(64,950,000)		(32,475,000)	(64,950,000)
	Expansion									
23	Implement Medicaid Reform - Accountable Care Organizations (22 FTE first year R, 22 FTE second year R)	2,500,000	NR	2,500,000	NR	5,000,000	5,000,000		2,500,000	2,500,000
24	Primary care physicians and OB/GYN					25,302,940	50,605,880		25,302,940	50,605,880
25	Health Department Care Coordination for Children Payments					6,475,000	12,950,000		6,475,000	12,950,000

Medical Assistance - NC Health Choice

	Expansion									
26	Cost Settlement of Hospital Outpatient Services (1310,1320)					816,877	843,834		816,877	843,834

Mental Health, Developmental Disabilities and Substance Abuse

	Reductions									
27	Wright School					(2,106,265)	(2,808,353)		(2,106,265)	(2,808,353)
28	LME/MCO use cash balances for services					(185,604,653)	NR	(185,604,653)	NR	(185,604,653)
	Expansion									
29	Eliminate Chronic Budget Shortfall in State Facilities	5,076,374		5,076,374					(5,076,374)	(5,076,374)

Health Service Regulation

	Reductions									
30	Certificate of Need					(560,506)	(1,120,013)		(560,506)	(1,120,013)

**House and Senate Health and Human Services FY 2015-16 Appropriations Comparison
(House Bill 97, 2015 Appropriations Act)**

	House	Senate	Senate - House
Central Management	\$139,622,868	\$116,500,781	(\$23,122,087)
Division of Aging	\$43,815,337	\$42,845,788	(\$969,549)
Division of Child Development	\$224,537,700	\$233,900,693	\$9,362,993
Division of Public Health	\$138,718,720	\$137,337,977	(\$1,380,743)
Division of Social Services	\$182,258,263	\$181,783,263	(\$475,000)
Division of Medical Assistance	\$3,773,402,778	\$3,761,598,331	(\$11,804,447)
NC Health Choice	\$14,397,579	\$13,373,219	(\$1,024,360)
Division of Blind, Deaf and Hard of Hearing	\$8,173,207	\$8,098,207	(\$75,000)
Division of Mental Health, Developmental Disabilities and Substance Abuse	\$712,364,283	\$519,096,709	(\$193,267,574)
Division of Health Service Regulation	\$16,105,247	\$15,462,135	(\$643,112)
Division of Vocational Rehabilitation	\$37,752,132	\$37,752,132	\$0
Total Budget	\$5,291,148,114	\$5,067,749,235	(\$223,398,879)

**House and Senate Health and Human Services FY 2016-17 Appropriations Comparison
(House Bill 97, 2015 Appropriations Act)**

	House	Senate	Senate - House
Central Management	\$128,220,376	\$130,139,186	\$1,918,810
Division of Aging	\$43,815,337	\$42,845,788	(\$969,549)
Division of Child Development	\$229,784,413	\$237,476,515	\$7,692,102
Division of Public Health	\$143,579,928	\$139,261,609	(\$4,318,319)
Division of Social Services	\$184,708,263	\$184,883,263	\$175,000
Division of Medical Assistance	\$3,936,096,888	\$3,910,621,818	(\$25,475,070)
NC Health Choice	\$2,105,042	\$1,590,592	(\$514,450)
Division of Blind, Deaf and Hard of Hearing	\$8,173,207	\$8,098,207	(\$75,000)
Division of Mental Health, Developmental Disabilities and Substance Abuse	\$703,387,508	\$502,439,890	(\$200,947,618)
Division of Health Service Regulation	\$16,110,674	\$14,902,628	(\$1,208,046)
Division of Vocational Rehabilitation	\$37,752,132	\$37,752,132	\$0
Total Budget	\$5,433,733,768	\$5,210,011,628	(\$223,722,140)

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Sarah McQuillan	SSG-NC
Dan R. DeLoatch	Rep. Hans
Russell Jones	NCCRA
Erin Jones	TWC
Amy Kendall	Cardinal-Innovations
Allison Stewart	Cardinal



List of Speakers for August 5, 2015

DHHS

- Dave Richards, Deputy Secretary for Medical Assistance
- Sherry Bradsher, Deputy Secretary for Human Services
- Dale Armstrong, Deputy Secretary for Behavioral Health and Developmental Disability Services
- Dr. Randall Williams, Deputy Secretary for Health Services

Others

- Rob Robinson, CEO, Alliance LME/MCO
- Leza Wainwright, CEO, Trillum LME/MCO
- Dr. Shawn Howerton, CEO, Sampson County Regional Hospital
- Dr. Conrad Flick, NC Academy of Family Physicians [past president, Wake County]
- Andrew Stehberger, Youth Villages
- Jessica Lands, Youth Scholar for Youth Villages
- Russell Jones, NC Continuing Care Residents Association

Scheduled, but time expired before they were able to speak:

- Cody Hand, NC Hospital Association
- Chip Baggett, NC Medical Society

Statement of the
Legislative Committee – North Carolina Continuing Care Residents' Association
On Reinstatement of the Medical Expense Deduction
Before the House Appropriations Committee -- August 5, 2015
By Russell Jones, Member of the Legislative Committee, NCCCRA
On Behalf of Cindy Barker, Chair of the Legislative Committee, NCCCRA

Madam Chair and other members of the Appropriations Committee.
Thank you for the opportunity to speak briefly on the reinstatement of the medical expense deduction.

I am Russell Jones and a member of the Legislative Committee for the North Carolina Continuing Care Resident's Association. We represent almost 20,000 residents living in non-profit Continuing Care Retirement Communities (usually abbreviated as CCRCs) across North Carolina.

I first want to thank Representative Rick Catlin who was the primary sponsor of the **HB 46, Senior Tax Deduction for Medical Expenses**, for recognizing the impact of the elimination of the deduction for medical expenses on senior citizens. We believe our significant increase in state income taxes was an unintended consequence of the goal of trying to reduce taxes for the general population. Those of us with high medical expenses have been caught in the middle.

Our Legislative Committee has spent the last year surveying residents in CCRCs to try to get a handle on how the elimination of the medical expense deduction has personally affected them. The hardest hit are single women in their mid-seventies and older who averaged an increase of \$1800 on their 2014 state income tax. Most of these women are living on fixed incomes, and to pay \$1800 in April and then another \$1800

throughout this year to prepare for their 2015 taxes has really placed a hardship on them.

Another group, smaller in number, but significant in expense, are the families where one of the couple is suffering from Alzheimer's or other forms of dementia. The care for many of those residents can run from \$6000 to \$9000 a month which equals \$72,000 to \$108,000 on an annual basis.

We want you to know how much we appreciate the reinstatement of the medical expense deduction in your budget. We were terribly disappointed when the Senate version placed a cap of \$20,000 on not only medical expenses, but all other deductions. By their inclusion of the medical expense deduction, we feel they have acknowledged the problem, but not the severity of it. In our most recent survey of 560 residents, allowable medical expenses on federal income taxes totaled \$13,387,862. Deductions exceeding \$20,000 accounted for 72% of that total.

We ask you to continue to hold fast on your budget provision which would reinstate the medical expense deduction with no cap.

Thank you.

44



Good afternoon. I'm Rob Robinson, CEO of Alliance Behavioral Healthcare. Alliance is the public LME/MCO for the 1.7 million citizens of Wake, Durham, Cumberland and Johnston counties. I appreciate the opportunity to speak to you today about the Medicaid fund balance and the critical role it is designed to play in helping us build the behavioral health service system in ways that directly impact the health and quality of life of the very vulnerable population we serve.

I think it is important to re-emphasize that the intent of the Medicaid fund balance is to provide the funding necessary to build a stronger, more effective service system. These are dollars that Alliance and the other LME/MCOs save by making sure that people get the right service, in the right amount, at the right time. This results in better health outcomes and a reduced need for more expensive services. The LME/MCOs were charged by the General Assembly to efficiently manage service dollars through a capitated system while ensuring quality care for the citizens of North Carolina, and we have succeeded in that mission. Now the payoff for our state is the ability for us to use these savings to serve more people in need, to enhance and build upon existing services and supports that are proven to help people recover, and to develop new and innovative services that have the potential to offer even better results.

As a word of background, Alliance began operating as an LME/MCO only two and a half years ago, in February 2013. We spent the first couple of those years building an infrastructure and creating a strong, financially sound organization with a professional staff that we feel is second to none. Just as important, we spent that time using the new latitude and flexibility that our status as an MCO afforded us to truly begin to manage our service system and the extensive provider network that we partner with. The result is a stronger, more responsive, more financially viable provider network and a system based more than ever on evidence-based and best practice services.

With this solid groundwork laid, we have now begun to re-invest our Medicaid savings to increase capacity in critical areas, to implement enhancements in proven programs, and to increase the utilization of evidence-based services throughout our provider network.

- For example, our Medicaid savings are being used to provide bridge funding that keep individuals with severe mental illness or intellectual delays from being displaced from group homes that have previously lost state funding. We filled this gap while the State works on a long term solution.
- They provide a long-overdue rate increase for intermediate care facilities (ICFs) serving the most high-need individuals with intellectual and developmental disabilities. This rate increase will allow these facilities to maintain and increase their quality of care.

4.



- Our savings allow us to fund a much-needed expansion in our crisis capacity in Wake and Durham counties, with a goal of reducing the use of emergency departments by providing a community-based alternative for individuals in behavioral health crisis.
- We are working with NC-START to expand this evidence-based practice model to help young people with intellectual delays avoid crisis situations.
- Savings are used to accelerate our partnerships with major healthcare providers like Duke and UNC to create effective and sustainable models for the integration of physical and behavioral healthcare.
- Finally, they provide a rate increase for outpatient services to expand the capacity of our provider network to supply rapid consumer access to help that can keep them from needing crisis services or higher levels of care.

This is much more than administrative planning and business decisions – these are improvements and enhancements that will have a very tangible impact on the lives of the men, women and children served by Alliance. I shared this information with the Wake County Board of Commissioners just this Monday, and I can report that they were overwhelmingly supportive of and excited about the potential that these investments provide. I'm certain that the Boards of the other counties served by Alliance echo those sentiments.

I had to be clear with them, however, as I'll be clear with you. If our Medicaid fund balance is supplanted to make up for cuts in our state's spending for behavioral health services, these enhancements will not happen. Moreover, the status and use of the fund balance is a complex issue from both a legal and financial standpoint. We fear that compliance with the provision is problematic and likely to result in serious service reductions for a vulnerable population. We ask that you look very carefully at this provision and we stand ready to assist you.

I join my colleagues here today in urging you to preserve intact the LME/MCO fund balances. They are a visible reflection of the success of the LME/MCOs in meeting the General Assembly's mandates for managing the public behavioral healthcare system, and they are critically important to tens of thousands of North Carolinians facing mental illness, substance use disorders, and intellectual and developmental disabilities.

Thank you for your time.

24



**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Appropriations** will meet as follows:

DAY & DATE: Tuesday, August 11, 2015
TIME: 3:00 PM
LOCATION: 643 LOB
COMMENTS: Meeting to take up continuing resolution.

Respectfully,
Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 1:29 PM on Tuesday, August 11, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Candace Slate (Committee Assistant)



MINUTES
HOUSE COMMITTEE ON APPROPRIATIONS

Tuesday, August 11, 2015

3:14 p.m.

Legislative Office Building, Room 643

ATTENDEES:

Chairmen: Dollar, L. Johnson, Lambeth, McGrady

Vice Chairmen: Avila, Blackwell, Boles, Brawley, Brisson, Burr, Cleveland, Daughtry, Dixon, Dobson, Faircloth, Holloway, Horn, Hurley, Presnell, Riddell, Saine, Shepard, Tine, Torbett, West

Members: Adcock, Ager, L. Bell, Brockman, Brody, Bryan, Bumgardner, Conrad, Earle, Farmer-Butterfield, Fisher, Floyd, Ford, Fraley, Gill, Glazier, G. Graham, D. Hall, L. Hall, Harrison, Hunter, Insko, Jackson, Johnson, Langdon, Lewis, Lucas, G. Martin, McNeill, Michaux, Pendleton, Pierce, Pittman, Queen, Richardson, Salmon, Speciale, Stam, Stevens, B. Turner, R. Turner, Watford, Willingham, Wray

I. Call to Order

Senior Chair, Nelson Dollar presided and called the meeting to order at 3:14 p.m.

II. Introductions

Chairman Dollar introduced the Sargeant-at-Arms staff assisting with the meeting.

III. Action Agenda Item

A. Proposed House Committee Substitute S560-CSLR-38 [v.1]

Chairman Dollar introduced Proposed House Committee Substitute S560-CSLR-38 [v.1] without objection.

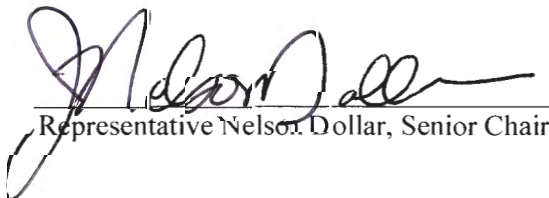
Phyllis Pickett, Bill Drafting Staff Attorney, reviewed the PCS which authorizes the Director of the Budget to continue expenditures for the operation of Government to until August 31, 2015 at the level in effect on June 30, 2015.

Questions and comments were received from the following committee members: Representatives Torbet, Speciale, and Larry Hall.

Representative Roger West moved favorable to House Committee Substitute; unfavorable to Senate Committee Substitute. The motion passed.

IV. Adjournment

The House Committee on Appropriations adjourned at 3:25 p.m.


Representative Nelson Dollar, Senior Chair


Panthea Briles, Committee Clerk



**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

APPROPRIATIONS COMMITTEE REPORT

**Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair**

FAVORABLE HOUSE COM SUB, UNFAVORABLE SENATE COM SUB

SB 560 (CS#1)

GDAC Amendments.

Draft Number:	S560-PCS15265-LR-38
Serial Referral:	None
Recommended Referral:	None
Long Title Amended:	Yes
Floor Manager:	Dollar

TOTAL REPORTED: 1



* C M R 5 6 7 - V - 1 *



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

S

D

SENATE BILL 560
PROPOSED HOUSE COMMITTEE SUBSTITUTE S560-CSLR-38 [v.1]

8/11/2015 2:56:35 PM

Short Title: 2015 Continuing Budget Authority.

(Public)

Sponsors:

Referred to:

March 30, 2015

A BILL TO BE ENTITLED

AN ACT AUTHORIZING THE DIRECTOR OF THE BUDGET TO CONTINUE
EXPENDITURES FOR THE OPERATION OF GOVERNMENT AT THE LEVEL IN
EFFECT ON JUNE 30, 2015, UNTIL AUGUST 31, 2015.

The General Assembly of North Carolina enacts:

BUDGET CONTINUATION

SECTION 1.1. Date Extended. -- Section 9 of S.L. 2015-133 reads as rewritten:

"**SECTION 9.** Except as otherwise provided, this act becomes effective July 1, 2015, and expires ~~August 14, 2015~~, August 31, 2015, at 11:59 P.M."

SECTION 1.2. Economic Development Funds. -- There is appropriated from the General Fund for fiscal year 2015-2016 (i) to the JDIG Reserve established pursuant to G.S. 143C-9-6 the sum of ten million three hundred forty-two thousand five hundred forty-two dollars (\$10,342,542) to satisfy grant obligations and amounts to be transferred pursuant to G.S. 143B-437.61 to be paid during the fiscal year and (ii) to the One North Carolina Fund established pursuant to G.S. 143B-437.71 the sum of five million one hundred forty thousand two hundred thirty-nine dollars (\$5,140,239) to satisfy Fund allocations to be transferred pursuant to G.S. 143B-437.72 to be paid during the fiscal year.

SECTION 1.3. Continue ITS Rates. -- Until expressly authorized by the General Assembly, the Office of Information Technology Services shall continue using the rates approved by the Office of State Budget and Management for fiscal year 2014-2015 for billing State agencies, local government entities, and any other supported organizations for its services.

SECTION 1.4. ITS Broadband Funding. -- Beginning September 1, 2015, of the funding available to the Office of Information Technology Services, Office of Digital Infrastructure, the sum of up to thirty five thousand two hundred six dollars (\$35,206) of appropriate funding may be used monthly during the 2015-2016 fiscal year to fund the following positions: an Information Technology Manager, a Networking Analyst, a Research Specialist, and one half (1/2) of the time for a Communications Specialist.

SECTION 1.5. At-Sea Observer Program. -- Receipts generated from fee increases authorized in Section 14.9 of S.L. 2014-100 are appropriated for the purposes set forth in G.S. 113-173.1(b).

FEDERAL BLOCK GRANTS

SECTION 2.1. Effective July 1, 2015, Section 6 of S.L. 2015-133 reads as rewritten:



* S 5 6 0 - C S L R - 3 8 - V - 1 *

1 ~~"SECTION 6.(a) The Except as otherwise provided in subsection (b) of this section, the~~
2 Director of the Budget shall continue to allocate federal block grant funds at no greater than the
3 the levels provided in Section 12J.1 of S.L. 2014-100, Section 15.14 of S.L. 2013-360, and as
4 otherwise provided by law, and appropriations from federal block grants are hereby made.

5 SECTION 6.(b) There is appropriated to the Department of Health and Human Services,
6 Division of Social Services, from Temporary Assistance for Needy Families (TANF)
7 Emergency Contingency Funds block grant funds, the sum of three million six hundred forty-
8 seven thousand eight hundred twenty-five dollars (\$3,647,825) in additional funds for the 2015-
9 2016 fiscal year to be allocated for subsidized child care."

10 11 **OTHER RECEIPTS FROM PENDING GRANT AWARDS**

12 **SECTION 3.1.(a)** Notwithstanding G.S. 143C-6-4, State agencies may, with
13 approval of the Director of the Budget, spend funds received from grants awarded subsequent
14 to the enactment of this act for grant awards that are for less than two million five hundred
15 thousand dollars (\$2,500,000), do not require State matching funds, and will not be used for a
16 capital project. State agencies shall report to the Joint Legislative Commission on
17 Governmental Operations within 30 days of receipt of such funds.

18 State agencies may spend all other funds from grants awarded after the enactment of
19 this act only with approval of the Director of the Budget and after consultation with the Joint
20 Legislative Commission on Governmental Operations.

21 **SECTION 3.1.(b)** The Office of State Budget and Management shall work with
22 the recipient State agencies to budget grant awards according to the annual program needs and
23 within the parameters of the respective granting entities. Depending on the nature of the award,
24 additional State personnel may be employed on a time-limited basis. Funds received from such
25 grants are hereby appropriated and shall be incorporated into the authorized budget of the
26 recipient State agency.

27 **SECTION 3.1.(c)** Notwithstanding the provisions of this section, no State agency
28 may accept a grant not anticipated in this act if acceptance of the grant would obligate the State
29 to make future expenditures relating to the program receiving the grant or would otherwise
30 result in a financial obligation as a consequence of accepting the grant funds.

31 32 **HEALTH AND HUMAN SERVICES**

33 **SECTION 4.1.** Revise Child Care Subsidy Policy Definition. -- Effective
34 September 1, 2015, the Department of Health and Human Services, Division of Child
35 Development and Early Education, shall revise its child care subsidy policy to exclude from the
36 policy's definition of "income unit" a nonparent relative caretaker, and the caretaker's spouse
37 and child, if applicable, when the parent of the child receiving child care subsidy does not live
38 in the home with the child.

39 40 **EFFECTIVE DATE**

41 **SECTION 5.1.** This act is effective when it becomes law.

Summary for Continuing Resolution-II/S560

Section 1.1 Extends the provisions of the current Continuing Resolution to August 31, 2015.

Section 1.2 Appropriates funds for FY 2015-16 to:
(i) the JDIG Reserve to satisfy grant obligations and statutory transfers; and
(ii) the One NC Fund to satisfy statutory transfers.

Section 1.3 Continues the rates for the Office of Information Technology Services at the rates set for FY 2014-2015.

Section 1.4 Beginning 9/1/15, appropriates funds for positions from funds available to the Office of Information Technology Services.

Section 1.5 Appropriates receipts from fee increases for the At-Sea Observer Program.

Section 2.1 Appropriates the additional TANF Contingency Block Grant funds budgeted for child care subsidy in both versions of the bill that must be spent by 9/30/15 to avoid loss of those funds.

Section 3.1 This is boilerplate language that allows State agencies to spend funds received from certain grant awards in accordance with the requirements of the section.

Section 4.1 Effective 9/1/15, revises child care subsidy policy to exclude a nonparent caretaker relative's (grandparent's) income in determining eligibility. This language is agreed to in both versions of the bill.

Section 5.1 Makes the act effective when it becomes law.



VISITOR REGISTRATION SHEET

APPROPRIATIONS

8-11-15

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Zane St. Ine A

NCSBE

Wendy Kelly

Focus Carolina

Tribal Vill a- Gona

NCAR

Cady Thomas

Focus Carolina

Sally Smith

M

John P. Smith

NCMA

Lexi Arthur

NCMA

Elizabeth Biser

BP

Chris McClure

BP

Ken Melfon

K. M. A

Adam Pridemore

NCMA



VISITOR REGISTRATION SHEET

App

Name of Committee

8-11-2015

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

<i>Paul Kellogg</i>	<i>NC SBA</i>
<i>Bruce Muldwin</i>	<i>NC SBA</i>
<i>Erilyn Hawthorne</i>	<i>PENC; CISNC</i>
<i>Jennifer Mahan</i>	<i>ASNC</i>
<i>Julia Adams Schurich</i>	<i>ISNC, ARC, HARC, NCART</i>
<i>Orley Jones</i>	<i>NC DOC</i>
<i>Dave Elford</i>	<i>NC Dept of Commerce</i>
<i>Heather Horton</i>	<i>NC Dept of Commerce</i>
<i>Penny Smith</i>	<i>School of Govt.</i>
<i>Shirley Ham</i>	<i>NC DTSEA</i>
<i>Lori Ann Harris</i>	<i>LATTA</i>



VISITOR REGISTRATION SHEET

Appropriations
Name of Committee

8-11-2015
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Trey Rabon	AT&T
Angie Suggs	SSG NC
Sarah McQuillan	SSG NC
Scott Lester	SSG NC
Andy Chase	KMA
Hugh Johnson	NCAAC
Phil Coates	WASTE INDUSTRIES
Comptand	NCHA
Jonathan Bobbaker	Bobbaker & Assoc



VISITOR REGISTRATION SHEET

Name of Committee

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME _____

FIRM OR AGENCY AND ADDRESS

Chris Anderson

Sarah Bales

Bubakar ASSOC

John DelGiace

11 11



VISITOR REGISTRATION SHEET

Name of Committee

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME _____

FIRM OR AGENCY AND ADDRESS

Rian Menzies

WM

Muse Freeman

NATE

Adrian Yanez

SHIFT NO

Rachel Blah

NCDPI

Anne Kurtha

NeDPI.

VISITOR REGISTRATION SHEET

Name of Committee

Appropriations

Date

3/11/15

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

JULIE KOWAL	BEST NC
Joy Hilder	NCDOT & CS
Many Shipping	NCCCS
MARY JENNIGAN	NCDOT
Slip David	KLG
Reston Jones	NCDOT
Tom Priester	Rep Saine Office
Jeré Ryall	NCFPC
Jarret Burr	NC DPS
Ardis Watkins	SEANC
Suzanne Busby	SEANC



VISITOR REGISTRATION SHEET

Appropriations
Name of Committee

8/11/15
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

<i>Michelle Brooks</i>	<i>ECU</i>
<i>Betty Doster</i>	<i>UNC - Charlotte</i>
<i>Drew Meltz</i>	<i>UNCGA</i>
<i>DAVID B. STUM</i>	<i>TROOPERS SAILOR</i>
<i>Julie White</i>	<i>AK MNC</i>
<i>Dana Fenton</i>	<i>CLT</i>
<i>Laura Hansford</i>	<i>NC DOR</i>
<i>Neal Orr</i>	<i>PBP</i>
<i>Mary Mallee Abbin</i>	<i>JELC</i>
<i>Matt Gross</i>	<i>NCPK</i>
<i>Jay White</i>	<i>BEST NC</i>



**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Appropriations** will meet as follows:

DAY & DATE: Tuesday, September 29, 2015

TIME: 8:30 AM

LOCATION: 643 LOB

COMMENTS: Other bills to be determined. HB658 will be a PCS that will change the title.

The following bills will be considered:

BILL NO.	SHORT TITLE	SPONSOR
SB 37	Waive Tuition/Fallen Officer Was Guardian.	Senator Smith Senator Apodaca
HB 658	Funds for Educational Training Centers.	Representative Elmore Representative Whitmire Representative Steinburg Representative Blackwell

Respectfully,
Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 11:48 AM on Monday, September 28, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Candace Slate (Committee Assistant)



Corrected #1: Adding SB561, SB456 and HB15

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2015-2016 SESSION**

You are hereby notified that the **House Committee on Appropriations** will meet as follows:

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SB 37	Waive Tuition/Fallen Officer Was Guardian.	Senator Smith Senator Apodaca
HB 658	Funds for Educational Training Centers.	Representative Elmore Representative Whitmire Representative Steinburg Representative Blackwell
SB 561	Career- and College-Ready Graduates.	Senator Barefoot Senator Rucho
SB 456	Charter School Modifications.	Senator Tillman
HB 15	Year-Round Funds for CC UGETC.	Representative Pendleton Representative Stam Representative Yarborough



Respectfully,
Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 6:28 PM on Monday, September 28, 2015.

____ Principal Clerk
____ Reading Clerk – House Chamber

Candace Slate (Committee Assistant)



MINUTES
HOUSE COMMITTEE ON APPROPRIATIONS

Tuesday, September 29, 2015

8:38 a.m.

Legislative Office Building, Room 643

ATTENDEES:

Chairmen: Dollar, L. Johnson, McGrady

Vice Chairmen: Avila, Blackwell, R. Brown, B. Brown, Bryan, Cleveland, Daughtry, Dixon, Hardister, Holloway, Horn, Hurley, Iler, Malone, Presnell, Riddell, Saine, Tine, Torbett, West

Members: Adcock, L. Bell, Brody, Bumgardner, Catlin, Elmore, Farmer-Butterfield, Floyd, Ford, Fraley, Gill, G. Graham, L. Hall, Hunter, Insko, Jackson, Johnson, G. Martin, McNeill, Michaux, Pendleton, Pittman, Richardson, Salmon, Speciale, Stam, Stevens, B. Turner, R. Turner, Watford, Whitmire, Willingham, Yarborough

I. Call to Order

Senior Chair, Nelson Dollar presided and called the meeting to order at 8:38 a.m.

II. Introductions

Representative Dollar acknowledged Sargeant-At-Arms staff who were assisting with the meeting.

III. Action Agenda Items

**A. Proposed House Committee Substitute SB37-CSTB-31 [v.1] – Waive Tuition/
Fallen Officer Was Guardian**

Representative Dollar called upon Senator Jane Smith to introduce the Proposed Committee Substitute. Senate Bill 37 would require UNC campuses and North Carolina community colleges to waive tuition for children whose legal guardians and legal custodians are law enforcement officers, firefighters, volunteer firefighters, or rescue squad workers, who are killed as a direct result of traumatic injury sustained in the line of duty or are permanently and totally disabled as a direct result of a traumatic injury sustained in the line of duty. Senate Bill 37 also clarifies that the guardianship and custodian relationships must be verified by an order from a court proceeding and makes several technical changes. The PCS changes the effective date to make the bill applicable beginning with the 2016 spring semester.



Representative Brawley moved for favorable report of the House PCS to the Second Edition, unfavorable to the Senate Committee Substitute.

Chairman Dollar called for the question on the PCS to the Second Edition. The House PCS to the Second Edition of Senate Bill 37 passed by unanimous vote.

B. Proposed Committee Substitute HB658-PCS40525-LR-45 Funds for Educational Training Centers

Representative Robert Steinburg reviewed the Proposed Committee Substitute that would provide additional operating funds to the Eastern 4-H Center, to become effective July 1, 2015.

Representatives Brody and Insko spoke to the PCS.

Representative Frank Iler moved for favorable report of the Proposed Committee Substitute HB658-PCS40525-LR-45 and unfavorable to the Original Bill.

Representative Dollar called for the question. Proposed Committee Substitute HB658-PCS40525-LR-45 passed by unanimous vote.

C. Proposed Committee Substitute to Third Edition SB456-PCS15282-RQ-28 Modifications to Opportunity Scholarships

Representative Paul Stam introduced the Proposed Committee Substitute that removes the provisions of SB456 concerning charter schools and instead would increase the percentage of funds for scholarship grants that can be used to award the grants to children entering kindergarten or first grade.

Representatives Holloway, Jackson, Johnson, Stevens, Bryan, Daughtry, Avila, Riddle, Brody, Iler, Brown and Elmore spoke to the PCS.

Representative Robert Bryan moved favorable report to the Proposed Committee Substitute and an unfavorable report to the Original Bill.

Representative Dollar called for the question. By show of hands the motion failed: Aye: 24; No: 26.



D. Proposed House Committee Substitute #2 SB561 Career- and College-Ready Graduates SB561-PCS15281-LE-13

Presented by Representative Stam, the Proposed House Committee Substitute #2 appropriates funds from the General Fund to the State Education Assistance Authority to fund special education scholarships in the amount of \$2,800,000 for 2015-2016 and \$2,800,000 for 2016-2017.

Representative John Torbett moved favorable report of Proposed House Committee Substitute #2 561-PCS15281-LE-13, unfavorable House Committee Substitute #1. By show of hands, the motion passed: Aye: 37; No: 14.

E. Proposed Committee Substitute HB15: Education Software/SWD Tuition H15-CSTC-65

Presented by Representative Stam, the PCS would remove prior contents of the bill and make the following changes: 1) Authorize the Department of Public Instruction to use appropriated funds to enter into a statewide cooperative purchasing agreement to provide office productivity software for public schools and to provide technical support and professional development on the use of the software; and, 2) Authorize the State Education Assistance Authority (SEAA) to disburse tuition funds for scholarships for students with disabilities through scholarship endorsements of funds directly to schools or through reimbursements to parents for tuition paid.

1. Amendment #1 and Amendment #2

Presented and sponsored by Representative Hugh Blackwell were referred to as *perfecting* amendments to bring clarity to the Bill.

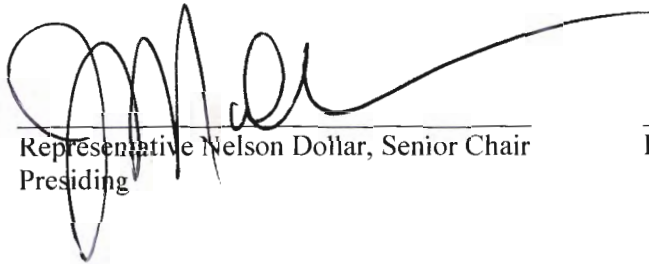
Representative Jason Saine moved that Amendment #1 and Amendment #2 be rolled into the Proposed Committee Substitute.

Representative John Torbett moved favorable report to Proposed Committee Substitute H15-CSTC-65; unfavorable report to Original Bill.

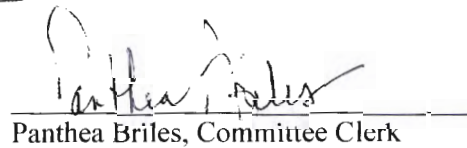


IV. Adjournment

The House Committee on Appropriations adjourned at 9:40 a.m.



Representative Nelson Dollar, Senior Chair
Presiding



Panthea Briles, Committee Clerk

Attachments:

1. Meeting Notice
2. SB37 and Summary
3. HB658
4. HB561 and Fiscal Impact
5. HB456 and Summary
6. HB15; Amendment #1 and Amendment #2
7. Appropriations Committee Report



MINUTES
HOUSE COMMITTEE ON APPROPRIATIONS

Tuesday, September 29, 2015

5:15 p.m.

Legislative Office Building, Room 643

ATTENDEES:

Chairmen: Dollar, L. Johnson, McGrady

Vice Chairmen: Avila, Blackwell, R. Brown, B. Brown, Bryan, Cleveland, Daughtry, Dixon, Hardister, Holloway, Horn, Hurley, Iler, Malone, Presnell, Riddell, Saine, Tine, Torbett, West

Members: Adcock, L. Bell, Brody, Bumgardner, Catlin, Elmore, Farmer-Butterfield, Floyd, Ford, Fraley, Gill, G. Graham, L. Hall, Hunter, Insko, Jackson, Johnson, G. Martin, McNeill, Michaux, Pendleton, Pittman, Richardson, Salmon, Speciale, Stam, Stevens, B. Turner, R. Turner, Watford, Whitmire, Willingham, Yarborough

I. Call to Order

Chairman, Chuck McGrady presided and called the meeting to order at 5:15 p.m.

II. Introductions

Chairman McGrady acknowledged Sergeant-At-Arms staff who were assisting with the meeting.

III. Action Agenda Items

A. Proposed House Committee Substitute HB98-CSLRF-49 [3.]

Senior Chair, Nelson Dollar reviewed technical corrections to HB98 included in the Proposed Committee Substitute.

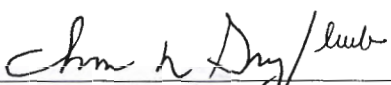
Questions/comments were received from Representatives Richardson, Michaux, McNeill, Whitmire, Blackwell, Pendleton, Speciale, and Cleveland.

Chair Linda Johnson moved for favorable report of Proposed Committee Substitute HB98-CSLRF-49 [v.3], unfavorable to the Original Bill.

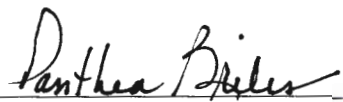
Chairman McGrady called for the question on PCS HB98-CSLRF-49 [v.3]. The motion passed by unanimous vote.

IV. Adjournment

The House Committee on Appropriations adjourned at 5:48 p.m.



Representative Chuck McGrady, Chair
Presiding



Panthea Briles, Committee Clerk

Attachment:

HB98: Proposed Committee Substitute HB98-CSCLRF-49 [3]





HOUSE BILL 15: Educ. Software/SWD Tuition

2015-2016 General Assembly

Committee: House Appropriations
Introduced by: Reps. Pendleton, Stam, Yarborough
Analysis of: PCS to First Edition
H15-CSTC-65

Date: September 29, 2015
Prepared by: Kara McCraw
Committee Counsel

SUMMARY: *The PCS for HB 15 would remove the prior contents of the bill and make the following changes:*

- *Authorize the Department of Public Instruction (DPI) to use appropriated funds to enter into a statewide cooperative purchasing agreement to provide office productivity software for public schools and to provide technical support and professional development on the use of the software.*
- *Authorize the State Education Assistance Authority (SEAA) to disburse tuition funds for scholarships for students with disabilities through scholarship endorsements of funds directly to schools or through reimbursements to parents for tuition paid.*

CURRENT LAW: S.L. 2015-241, Sec. 11.11.(a) modifies the process for distribution of tuition for scholarships for students with disabilities to allow the State Education Assistance Authority (SEAA) to remit twice a year the tuition scholarship funds for endorsement by the student's parent or guardian for deposit into the account of the school.

BILL ANALYSIS:

Section 1: Would authorize DPI to use funds appropriated for the 2015-16 fiscal year and subsequent fiscal years to:

- Enter into a statewide cooperative purchasing agreement to provide office productivity software for students, teachers, and other staff of North Carolina public schools, including charter schools.
- Provide technical support and professional development on the use of the software.

Section 2: Would amend the process for tuition endorsements and reimbursements for scholarships for students with disabilities in one of two ways based on the criteria satisfied by the school.

- Scholarship endorsement for tuition. – The SEAA would remit scholarship funds for endorsement by the student's parent or guardian at least twice a year for tuition to attend a nonpublic school that meets the criteria to receive funds for Opportunity Scholarships. The scholarship funds would be restrictively endorsed for deposit into the account of the school.
- Reimbursement for tuition. – The SEAA would reimburse, no sooner than the midpoint of the semester, a parent or guardian for documented tuition paid for an eligible student who enrolls in one of the following:
 - A North Carolina public school other than the public school to which that student has been assigned in the local school administrative unit where the student is domiciled.
 - A nonpublic school that does not participate in the Opportunity Scholarship program.

An enrollment of less than 75 days of the semester will be subject to a pro rata reimbursement.

EFFECTIVE DATE: The PCS for HB 15 would become effective July 1, 2015. Section 2 would apply to scholarships awarded for the 2015-2016 school year and each subsequent school year.

O. Walker Reagan
Director



Research Division
(919) 733-2578



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

D

HOUSE BILL 15
PROPOSED COMMITTEE SUBSTITUTE H15-PCS10459-TC-65

Short Title: Educ. Software/SWD Tuition.

(Public)

Sponsors:

Referred to:

January 29, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO AUTHORIZE THE DEPARTMENT OF PUBLIC INSTRUCTION TO USE
3 FUNDS TO ENTER INTO A STATEWIDE COOPERATIVE PURCHASING
4 AGREEMENT FOR OFFICE PRODUCTIVITY SOFTWARE FOR PUBLIC SCHOOLS
5 AND TO AMEND THE PROCESS FOR TUITION ENDORSEMENTS AND
6 REIMBURSEMENTS FOR SCHOLARSHIPS FOR STUDENTS WITH DISABILITIES.

7 The General Assembly of North Carolina enacts:

8 **SECTION 1.** S.L. 2015-241 is amended by adding a new section to read:

9 "SECTION 8.49. The Department of Public Instruction may use funds appropriated to the
10 Department for the 2015-2016 fiscal year and subsequent fiscal years to (i) enter into a
11 statewide cooperative purchasing agreement to provide office productivity software for
12 students, teachers, and other staff of North Carolina public schools, including charter schools,
13 and (ii) provide technical support and professional development on the use of the software."

14 **SECTION 2.** G.S. 115C-112.6(b1)(1), as enacted by Section 11.11(a) of S.L.
15 2015-241, reads as rewritten:

16 ~~"(1) Scholarship endorsement for tuition. The Authority shall remit, at least two~~
17 ~~times each school year, scholarship funds awarded to eligible students for~~
18 ~~endorsement by at least one of the student's parents or guardians for tuition~~
19 ~~to attend (i) a North Carolina public school other than the public school to~~
20 ~~which that student has been assigned as provided in G.S. 115C 366 or (ii) a~~
21 ~~nonpublic school that meets the requirements of Part 1 or Part 2 of Article 39~~
22 ~~of this Chapter as identified by the Department of Administration, Division~~
23 ~~of Nonpublic Education. Scholarship funds shall not be provided for tuition~~
24 ~~for home schooled students. If the student is attending a nonpublic school,~~
25 ~~the school must be deemed eligible by the Division of Nonpublic Education,~~
26 ~~pursuant to G.S. 115C 562.4, and the school shall be subject to the~~
27 ~~requirements of G.S. 115C 562.5. The parent or guardian shall restrictively~~
28 ~~endorse the scholarship funds awarded to the eligible student to the school~~
29 ~~for deposit into the account of the school. The parent or guardian shall not~~
30 ~~designate any entity or individual associated with the school as the parent's~~
31 ~~attorney in fact to endorse the scholarship funds but shall endorse the~~
32 ~~scholarship funds in person at the site of the school. A parent's or guardian's~~
33 ~~failure to comply with this section shall result in forfeiture of the scholarship~~
34 ~~funds. A scholarship forfeited for failure to comply with this section shall be~~
35 ~~returned to the Authority to be awarded to another student.~~



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(1) Tuition endorsements and reimbursements. – The Authority shall disburse scholarship funds for tuition for eligible students awarded pursuant to this section as provided in this subdivision. The method of disbursement varies based on the criteria satisfied by the school. Scholarship funds shall not be provided for tuition for home-schooled students. The two methods for the disbursement of scholarship funds follow:

a. Scholarship endorsement for tuition. – The Authority shall remit, at least two times each school year, scholarship funds awarded to eligible students for endorsement by at least one of the student's parents or guardians for tuition to attend a nonpublic school that meets the requirements of Part 1 or Part 2 of Article 39 of this Chapter as identified by the Department of Administration, Division of Nonpublic Education. The nonpublic school must be deemed eligible by the Division of Nonpublic Education, pursuant to G.S. 115C-562.4, and the school shall be subject to the requirements of G.S. 115C-562.5. The parent or guardian shall restrictively endorse the scholarship funds awarded to the eligible student to the school for deposit into the account of the school. The parent or guardian shall not designate any entity or individual associated with the school as the parent's attorney-in-fact to endorse the scholarship funds but shall endorse the scholarship funds in person at the site of the school. A parent's or guardian's failure to comply with this section shall result in forfeiture of the scholarship funds. A scholarship forfeited for failure to comply with this section shall be returned to the Authority to be awarded to another student.

b. Reimbursement for tuition. – The parent or guardian of an eligible student who enrolls in a school that is (i) a North Carolina public school other than the public school to which that student has been assigned as provided in G.S. 115C-366 or (ii) a nonpublic school that meets the requirements of Part 1 or Part 2 of Article 39 of this Chapter as identified by the Department of Administration, Division of Nonpublic Education, that is deemed eligible by the Division of Nonpublic Education and is not subject to G.S. 115C-562.5 shall pay the tuition directly to the school. The Authority shall reimburse the parent or guardian no sooner than the mid-point of each semester. A parent or guardian may receive reimbursement for tuition if the parent or guardian provides documentation that the student was enrolled pursuant to clause (i) or (ii) of this sub-subdivision. An enrollment of less than 75 days of the semester will be subject to a pro rata reimbursement."

SECTION 3. This act becomes effective July 1, 2015. Section 2 of this act applies to scholarships awarded for the 2015-2016 school year and each subsequent school year.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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SENATE BILL 456
Education/Higher Education Committee Substitute Adopted 4/28/15
Third Edition Engrossed 4/29/15
PROPOSED HOUSE COMMITTEE SUBSTITUTE S456-PCS15282-RQ-28

Short Title: Modifications to Opportunity Scholarships.

(Public)

Sponsors:

Referred to:

March 26, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO INCREASE THE PERCENTAGE OF FUNDS FOR SCHOLARSHIP GRANTS
3 THAT CAN BE USED FOR STUDENTS TO ATTEND KINDERGARTEN OR FIRST
4 GRADE AT NONPUBLIC SCHOOLS.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** G.S. 115C-562.2(a) reads as rewritten:

7 "(a) The Authority shall make available no later than February 1 annually applications to
8 eligible students for the award of scholarship grants to attend any nonpublic school.
9 Information about scholarship grants and the application process shall be made available on the
10 Authority's Web site. Beginning March 15, the Authority shall begin awarding scholarship
11 grants according to the following criteria:

- 12 (1) First priority shall be given to eligible students who received a scholarship
13 grant during the previous school year if those students have applied by
14 March 1.
15 (2) After scholarship grants have been awarded to prior recipients as provided in
16 subdivision (1) of this subsection, scholarships shall be awarded with
17 remaining funds as follows:
18 a. At least fifty percent (50%) of the remaining funds shall be used to
19 award scholarship grants to eligible students residing in households
20 with an income level not in excess of the amount required for the
21 student to qualify for the federal free or reduced-price lunch
22 program.
23 b. No more than ~~thirty-five~~forty-five percent ~~(35%)~~(45%) of the
24 remaining funds shall be used to award scholarship grants to eligible
25 students entering either kindergarten or first grade.
26 c. Any remaining funds shall be used to award scholarship grants to all
27 other eligible students."

28 **SECTION 2.** This act becomes effective July 1, 2015, and applies beginning with
29 the 2015-2016 school year.



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FISCAL IMPACT

(\$ in millions)

☒ Yes☐ No☐ No Estimate Available

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
State Impact					
General Fund Revenues:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
General Fund Expenditures:	\$2.8	\$0.5	\$0.5	\$0.4	\$0.4
State Positions:	0.0	0.0	0.0	0.0	0.0
NET STATE IMPACT	(\$2.8)	(\$0.5)	(\$0.5)	(\$0.4)	(\$0.4)

Local Impact					
Revenues:	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Expenditures:	\$0.0	(\$0.6)	(\$0.7)	(\$0.7)	(\$0.7)
NET LOCAL IMPACT	\$0.0	\$0.6	\$0.7	\$0.7	\$0.7

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:

State Education Assistance Authority, Department of Public Instruction, Local Education Agencies

EFFECTIVE DATE: Effective FY 2015-16**TECHNICAL CONSIDERATIONS:**

None



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

S

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SENATE BILL 561
Education/Higher Education Committee Substitute Adopted 4/28/15
House Committee Substitute Favorable 8/18/15
PROPOSED HOUSE COMMITTEE SUBSTITUTE S561-PCS15281-LE-13

Short Title: Funds for Special Education Scholarships. (Public)

Sponsors:

Referred to:

March 30, 2015

A BILL TO BE ENTITLED
AN ACT TO APPROPRIATE ADDITIONAL FUNDS FOR SPECIAL EDUCATION
SCHOLARSHIPS.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to the Board of
Governors of The University of North Carolina the sum of two million eight hundred thousand
dollars (\$2,800,000) for the 2015-2016 fiscal year and the sum of two million eight hundred
thousand dollars (\$2,800,000) for the 2016-2017 fiscal year to be allocated to the State
Education Assistance Authority to fund special education scholarships awarded and disbursed
pursuant to G.S. 115C-112.6.

SECTION 2. This act becomes effective July 1, 2015.



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GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

H

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HOUSE BILL 658
PROPOSED COMMITTEE SUBSTITUTE H658-PCS40525-LR-45

Short Title: Additional Operating Funds/Eastern 4-H Center.

(Public)

Sponsors:

Referred to:

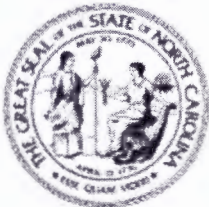
April 14, 2015

- 1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE ADDITIONAL OPERATING FUNDS FOR THE EASTERN 4-H
3 CENTER.
4 The General Assembly of North Carolina enacts:
5 **SECTION 1.** There is appropriated from the General Fund to the Board of
6 Governors of The University of North Carolina, North Carolina State University, Agriculture
7 Extension Service, the sum of three hundred sixty-seven thousand dollars (\$367,000) for the
8 2015-2016 fiscal year to provide additional operating funds to the Eastern 4-H Center.
9 **SECTION 2.** This act becomes effective July 1, 2015.



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SENATE BILL 37: Waive Tuition/Fallen Officer Was Guardian

2015-2016 General Assembly

Committee: House Appropriations
Introduced by: Sens. Smith, Apodaca
Analysis of: PCS to Second Edition
S37-CSTB-31

Date: September 29, 2015
Prepared by: Denise Adams
Legislative Analyst

SUMMARY: *Senate Bill 37 would require UNC campuses and North Carolina community colleges to waive tuition for children whose legal guardians and legal custodians are law enforcement officers, firefighters, volunteer firefighters, or rescue squad workers who are killed as a direct result of traumatic injury sustained in the line of duty or are permanently and totally disabled as a direct result of a traumatic injury sustained in the line of duty. Senate Bill 37 also clarifies that the guardianship and custodian relationships must be verified by an order from a court proceeding, and makes several technical changes.*

The PCS changes the effective date to make the bill applicable beginning with the 2016 spring semester.

[As introduced, this bill was identical to H19, as introduced by Rep. C. Graham, which is currently in Senate Education/Higher Education.]

CURRENT LAW: Chapter 115B of the General Statutes requires campuses of The University of North Carolina and the North Carolina community colleges to waive tuition for certain individuals, including:

- Survivors of law enforcement officers, firefighters, volunteer firefighters, or rescue squad workers killed as direct result of a traumatic injury sustained in the line of duty. The definition of "survivor" is an individual whose parent or spouse: (i) was a law enforcement officer, a firefighter, a volunteer firefighter, or a rescue squad worker, (ii) was killed while in active service or training for active service or died as a result of a service-connected disability, and (iii) at the time of active service or training was a North Carolina resident.
- Spouses of law enforcement officers, firefighters, volunteer firefighters, or rescue squad workers permanently and totally disabled as a direct result of a traumatic injury sustained in the line of duty.
- Any child, if the child is at least 17 years old but not yet 24 years old, whose parent is a law enforcement officer, firefighter, volunteer firefighter, or rescue squad worker who is permanently and totally disabled as a direct result of a traumatic injury sustained in the line of duty.

The relationships are verified by birth certificates or marriage certificates or other documentary evidence deemed appropriate by the institution.

BILL ANALYSIS: Senate Bill 37 would require UNC campuses and North Carolina community colleges to waive tuition for children whose legal guardians and legal custodians are law enforcement officers, firefighters, volunteer firefighters, or rescue squad workers who are killed as a direct result of

O. Walker Reagan
Director



Research Division
(919) 733-2578

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Senate Bill 37

Page 2

traumatic injury sustained in the line of duty or are permanently and totally disabled as a direct result of a traumatic injury sustained in the line of duty. Senate Bill 37 would also provide that the guardianship and custodian relationships must be verified by an order from a court proceeding rather than evidence deemed appropriate by the institution. Senate Bill 37 also makes several technical changes to fix incorrect cross-references in the relevant statutes.

EFFECTIVE DATE: The PCS would become effective when it becomes law and would apply beginning with the 2016 spring academic semester.

**Drupti Chauhan, Committee Counsel to Senate Education, substantially contributed to this summary.*

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2015

S

D

SENATE BILL 37*

Education/Higher Education Committee Substitute Adopted 3/4/15
PROPOSED HOUSE COMMITTEE SUBSTITUTE S37-CSTB-31 [v.1]

9/28/2015 4:56:50 PM

Short Title: Waive Tuition/Fallen Officer Was Guardian.

(Public)

Sponsors:

Referred to:

February 5, 2015

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT THE TUITION WAIVER FOR SURVIVORS OF LAW ENFORCEMENT OFFICERS, FIREFIGHTERS, OR RESCUE SQUAD WORKERS AND CERTAIN OTHERS ALSO APPLIES TO CHILDREN WHOSE LEGAL GUARDIANS OR LEGAL CUSTODIANS ARE LAW ENFORCEMENT OFFICERS, FIREFIGHTERS, OR RESCUE SQUAD WORKERS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 115B-1(6) reads as rewritten:

"§ 115B-1. Definitions.

The following definitions apply in this Chapter:

...

- (6) Survivor. – Any person whose ~~parent-parent~~, legal guardian, legal custodian, or spouse: (i) was a law enforcement officer, a firefighter, a volunteer firefighter, or a rescue squad worker, (ii) was killed while in active service or training for active service or died as a result of a service-connected disability, and (iii) at the time of active service or training was a North Carolina resident. The term does not include the widow or widower of a law enforcement officer, firefighter, volunteer firefighter, or a rescue squad worker if the widow or widower has remarried."

SECTION 2. G.S. 115B-2(a) reads as rewritten:

"(a) The constituent institutions of The University of North Carolina and the community colleges as defined in G.S. 115D-2(2) shall permit the following persons to attend classes for credit or noncredit purposes without the required payment of tuition:

- (1) Repealed by Session Laws 2009-451, s. 8.11(a), effective July 1, 2009.
- (2) Any person who is the survivor of a law enforcement officer, firefighter, volunteer firefighter, or rescue squad worker killed as a direct result of a traumatic injury sustained in the line of duty.
- (3) The spouse of a law enforcement officer, firefighter, volunteer firefighter, or rescue squad worker who is permanently and totally disabled as a direct result of a traumatic injury sustained in the line of duty.
- (4) Any child, if the child is at least 17 years old but not yet 24 years old, whose ~~parent-parent~~, legal guardian, or legal custodian is a law enforcement officer, firefighter, volunteer firefighter, or rescue squad worker who is permanently and totally disabled as a direct result of a traumatic injury sustained in the line of duty. However, a child's eligibility for a waiver of tuition under this



Chapter shall not exceed: (i) 54 months, if the child is seeking a baccalaureate degree, or (ii) if the child is not seeking a baccalaureate degree, the number of months required to complete the educational program to which the child is applying.

- (5) Any child, if the child (i) is at least 17 years old but not yet 24 years old, (ii) is a ward of North Carolina or was a ward of the State at the time the child reached the age of 18, (iii) is a resident of the State; and (iv) is eligible for services under the Chaffee Education and Training Vouchers Program; but the waiver shall only be to the extent that there is any tuition still payable after receipt of other financial aid received by the student.
- (6) Any child enrolled in a regional school established pursuant to Part 10 of Article 16 of Chapter 115C of the General Statutes who enrolls in classes at a constituent institution or community college which has a written agreement with the regional school."

SECTION 3. G.S. 115B-5(b) reads as rewritten:

"(b) The officials of the institutions charged with administration of this Chapter shall require the following proof to insure that a person applying to the institution and who requests a tuition waiver under ~~G.S. 115B-2(2)~~, G.S. 115B-2(a)(2), (3), or (4) is eligible for the benefits provided by this Chapter.

- (1) The parent-child relationship shall be verified by a birth certificate, legal adoption papers, or other documentary evidence deemed appropriate by the institution.
- (1a) The legal guardian-child relationship shall be verified by an order from a court proceeding that established the legal guardianship.
- (1b) The legal custodian-child relationship shall be verified by an order from a court proceeding that established the legal custodianship.
- (2) The marital relationship shall be verified by a marriage certificate or other documentary evidence deemed appropriate by the institution.
- (3) The cause of death of the law enforcement officer, firefighter, volunteer firefighter, or rescue squad worker shall be verified by certification from the records of the Department of State Treasurer, the appropriate city or county law enforcement agency that employed the deceased, the administrative agency for the fire department or fire protection district recognized for funding under the Department of State Auditor, or the administrative agency having jurisdiction over any paid firefighters of all counties and cities.
- (4) The permanent and total disability shall be verified by documentation deemed necessary by the institution from the North Carolina Industrial Commission."

SECTION 3.5. G.S. 115B-5(c) reads as rewritten:

"(c) The officials of the institutions charged with administration of this Chapter may require proof to verify that a person applying to the institution under ~~G.S. 115B-2(5)~~ G.S. 115B-2(a)(5) is eligible for the benefits provided by this Chapter."

SECTION 3.7. G.S. 115B-5.1 reads as rewritten:

"§ 115B-5.1. Student to be credited for scholarship value.

If a person obtains a tuition waiver under ~~G.S. 115B-2(2)~~, G.S. 115B-2(a)(2), (3), or (4) and the person also receives a cash scholarship paid or payable to the institution, from whatever source, the amount of the scholarship shall be applied to the credit of the person in the payment of incidental expenses of the person's attendance at the institution, and any balance, if the terms of the scholarship permit, shall be returned to the student."

SECTION 4. This act is effective when it becomes law and applies to the 2016 spring academic semester and each subsequent semester.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

S

D

SENATE BILL 561

Education/Higher Education Committee Substitute Adopted 4/28/15

House Committee Substitute Favorable 8/18/15

PROPOSED HOUSE COMMITTEE SUBSTITUTE S561-PCS15281-LE-13

Short Title: Funds for Special Education Scholarships.

(Public)

Sponsors:

Referred to:

March 30, 2015

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE ADDITIONAL FUNDS FOR SPECIAL EDUCATION
SCHOLARSHIPS.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to the Board of
Governors of The University of North Carolina the sum of two million eight hundred thousand
dollars (\$2,800,000) for the 2015-2016 fiscal year and the sum of two million eight hundred
thousand dollars (\$2,800,000) for the 2016-2017 fiscal year to be allocated to the State
Education Assistance Authority to fund special education scholarships awarded and disbursed
pursuant to G.S. 115C-112.6.

SECTION 2. This act becomes effective July 1, 2015.



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**NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 15**

AMENDMENT NO. 1
(to be filled in by
Principal Clerk)

H15-ARQ-47 [v.2]

Page 1 of 2

Amends Title [YES]
H15-PCS10459-TC-65

Date Sept. 29th 2015

Representative Blackwell

1 moves to amend the bill on page 1, lines 2-6 by rewriting the lines to read:

2
3 " AN ACT TO AUTHORIZE THE DEPARTMENT OF PUBLIC INSTRUCTION TO USE
4 FUNDS TO ENTER INTO A STATEWIDE COOPERATIVE PURCHASING
5 AGREEMENT FOR OFFICE PRODUCTIVITY SOFTWARE FOR PUBLIC SCHOOLS;
6 TO AMEND THE PROCESS FOR TUITION ENDORSEMENTS AND
7 REIMBURSEMENTS FOR SCHOLARSHIPS FOR STUDENTS WITH DISABILITIES;
8 AND TO EXEMPT STUDENTS AT THE SCHOOL OF SCIENCE AND
9 MATHEMATICS FROM PAYING FEES FOR ADVANCED PLACEMENT EXAMS.";

10 ~~AND THE SCHOOL OF THE ARTS~~
11 And on page 2, lines 40-41 by inserting the following between those lines:

12
13 "SECTION 2.5. Article 29 of Chapter 116 of the General Statutes is amended by
14 adding a new section to read:

15 "**§ 116-235.5. Advanced courses.**

16 (a) Students enrolled in the North Carolina School of Science and Mathematics or in
17 high school courses at the North Carolina School of the Arts shall have access to and shall be
18 encouraged to enroll in and successfully complete more rigorous advanced courses to enable
19 success in postsecondary education. For the purposes of this section, an advanced course is an
20 Advanced Placement or International Baccalaureate Diploma Programme course.

21 (b) To attain this goal, to the extent funds are made available for this purpose, students
22 shall be exempt from paying any fees for administration of examinations for advanced courses
23 and registration fees for advanced courses in which the student is enrolled regardless of the
24 score the student achieves on an examination.

25 (c) If funds are appropriated for advanced courses, the State Board of Education shall
26 reimburse The University of North Carolina for fees for advanced courses for students enrolled
27 in the North Carolina School of Science and Mathematics or in high school courses at the North
28 Carolina School of the Arts as provided in subsection (b) of this section."

29 **SECTION 2.6. G.S. 116-69 reads as rewritten:**

30 "**§ 116-69. Purpose of school program.**

31 The primary purpose of the school shall be the professional training, as distinguished from
32 liberal arts instruction, of talented students in the fields of music, drama, the dance, and allied



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NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 15

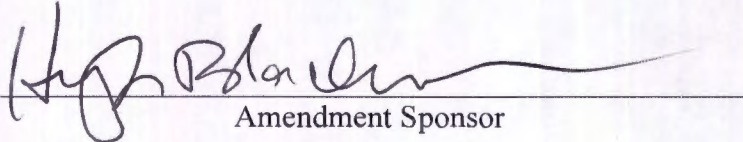
AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H15-ARQ-47 [v.2]

Page 2 of 2

1 performing arts, at both the high school and college levels of instruction, with emphasis placed
2 upon performance of the arts, and not upon academic studies of the arts. The said school may
3 also offer high school and college instruction in academic subjects, including advanced courses
4 as provided in G.S. 116-235.5, and such other programs as are deemed necessary to meet the
5 needs of its students and of the State, consistent with appropriations made and gifts received
6 therefor, and may cooperate, if it chooses, with other schools which provide such courses of
7 instruction. The school, on occasion, may accept elementary grade students of rare talent, and
8 shall arrange for such students, in cooperation with an elementary school, a suitable educational
9 program."".

SIGNED


Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

FAILED

TABLED



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 15

AMENDMENT NO. 2
(to be filled in by
Principal Clerk)

H15-ATC-120 [v.1]

Page 1 of 7

Amends Title [YES]
First Edition

Date Sept. 29th 2015

Representative Blackwell

1 moves to amend the bill on page 1, line 4, by inserting the following after "SCHOOLS,";

2
3 "AND TO ESTABLISH THE OFFICE OF PRINCIPAL PREPARATION,";

4
5 And on page 1, lines 13-14, by inserting the following between those lines:

6
7 "SECTION 1.5. Section 11.9 of S.L. 2015-241 reads as rewritten:

8 "SECTION 11.9.(a) Purpose. – The purpose of this section is to establish a
9 competitive grant program for eligible entities to elevate educators in North Carolina public
10 schools by transforming the preparation of principals across the State. The State Education
11 Assistance Authority (Authority) shall administer this grant program through the Office of
12 Principal Preparation established within the Authority pursuant to subsection (d) of this section
13 a cooperative agreement with a private, nonprofit corporation to provide funds for the
14 preparation and support of highly effective future school principals in North Carolina.

15 SECTION 11.9.(b) Definitions. – For the purposes of this section, the following
16 definitions apply:

17 (1) Eligible entity. – A for-profit or nonprofit organization or an institution of
18 higher education that has an evidence-based plan for preparing school
19 leaders who implement school leadership practices linked to increased
20 student achievement.

21 (2) High-need school. – A public school, including a charter school, that meets
22 one or more of the following criteria:

23 a. Is a school identified under Part A of Title I of the Elementary and
24 Secondary Education Act of 1965, as amended.

25 b. Is a persistently low-achieving school, as identified by the
26 Department of Public Instruction for purposes of federal
27 accountability.

28 c. A middle school containing any of grades five through eight that
29 feeds into a high school with less than a sixty percent (60%)
30 four-year cohort graduation rate.

31 d. A high school with less than a sixty percent (60%) four-year cohort
32 graduation rate.



* H 1 5 - A T C - 1 2 0 - V - 1 *

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 15

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H15-ATC-120 [v.1]

Page 2 of 7

- 1 (3) Principal. – The highest administrative official in a public school building
2 with primary responsibility for the instructional leadership, talent
3 management, and organizational development of the school.
4 (4) School leader. – An individual employed in a school leadership role,
5 including principal or assistant principal roles.
6 (5) Student achievement. – At the whole school level, after three years of
7 leading a school, consistent and methodologically sound measures of:
8 a. Student academic achievement.
9 b. Aggregated individual student academic growth.
10 c. Additional outcomes, such as high school graduation rates, the
11 percentage of students taking advanced-level coursework, or the
12 percentage of students who obtain a career-related credential through
13 a national business certification exam.

14 **SECTION 11.9.(c)** Program Authorized. – The Authority shall award grants to
15 eligible entities to support programs that develop well-prepared school leaders in accordance
16 with the provisions of this section. The Authority shall establish any necessary rules to
17 administer the grant program.

18 ~~**SECTION 11.9.(d)** Contract With a Nonprofit for Administration. – By November~~
19 ~~1, 2015, the Authority shall issue a Request for Proposal (RFP) for a private, nonprofit~~
20 ~~corporation to contract with the Authority for the administration of the program, including~~
21 ~~making recommendations to the Authority for the award of grants, as authorized by this~~
22 ~~section. The nonprofit corporation applying to the Authority shall meet at least the following~~
23 ~~requirements:~~

24 ~~(1) The nonprofit corporation shall be a nonprofit corporation organized pursuant to~~
25 ~~Chapter 55A of the General Statutes and shall comply at all times with the provisions of section~~
26 ~~501(c)(3) of the Internal Revenue Code.~~

- 27 ~~(2) The nonprofit corporation shall employ sufficient staff who have~~
28 ~~demonstrated a capacity for the development and implementation of grant~~
29 ~~selection criteria and a selection process to promote innovative school leader~~
30 ~~education programs, including:~~
31 ~~a. Focus on school leader talent.~~
32 ~~b. Expertise supporting judgments about grant renewal based on~~
33 ~~achievement of or substantial school leader progress toward~~
34 ~~measurable results in student achievement.~~
35 ~~c. Expectation of creating positive experiences working with the~~
36 ~~educational community in North Carolina to establish the foundation~~
37 ~~for successfully administering the programs set forth in this section.~~

38 ~~(3) The nonprofit corporation shall comply with the limitations on lobbying set~~
39 ~~forth in section 501(c)(3) of the Internal Revenue Code.~~

40 ~~(4) No State officer or employee may serve on the board of the nonprofit~~
41 ~~corporation.~~

42 ~~(5) The board of the nonprofit corporation shall meet at least quarterly at the call~~
43 ~~of its chair.~~

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 15

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H15-ATC-120 [v.1]

Page 3 of 7

1 **SECTION 11.9.(d)** Establish Office of Principal Preparation. There is established
2 within the State Education Assistance Authority (Authority) an Office of Principal Preparation
3 (Office). The Office shall have the following responsibilities:

- 4 (1) To make recommendations to the Authority for the award of grants, as
5 authorized by this section.
6 (2) To develop and oversee the selection criteria, the selection process, selection
7 outreach efforts, renewal, continuation, and reporting criteria.
8 (3) To build a portfolio of approved technical assistance providers to grantees.
9 (4) To work with the educational community across North Carolina to
10 successfully implement each of the programs outlined in this act.

11 **SECTION 11.9.(e)** Report on Selection of the Nonprofit. — The Authority shall
12 select a nonprofit corporation to enter into a contract with to administer the program by January
13 15, 2016. The Authority shall report to the Joint Legislative Education Oversight Committee on
14 the selection of the nonprofit corporation by February 1, 2016.

15 **SECTION 11.9.(e)** Office Director and staff. The Executive Director of the
16 Authority shall appoint a director of the Office and shall employ sufficient Office staff who
17 have demonstrated a capacity for the development and implementation of grant selection
18 criteria and a selection process to promote innovative school leader education programs,
19 including all of the following: (i) focus on school leader talent; (ii) expertise supporting
20 judgments about grant renewal based on achievement of or substantial school leader progress
21 toward measurable results in student achievement; and (iii) expectation of creating positive
22 experiences working with the educational community in North Carolina to establish the
23 foundation for successfully administering the programs set forth in this section.

24 Notwithstanding any other provision of law, any employee hired as Office staff, including
25 the Director of the Office, who voluntarily relinquishes annual longevity payments,
26 relinquishes any claim to longevity pay, voluntarily relinquishes any claim to career status or
27 eligibility for career status as approved by the Executive Director of the Authority and the
28 Director of the Office of State Human Resources (OSHR) is exempt from all of the following:
29 (i) the classification and compensation rules established by the State Human Resources
30 Commission pursuant to G.S. 126-4(1) through (4); (ii) G.S. 126-4(5) only as it applies to hours
31 and days of work, vacation, and sick leave; (iii) G.S. 126-4(6) only as it applies to promotion
32 and transfer; (iv) G.S. 126-4(10) only as it applies to the prohibition of the establishment of
33 incentive pay programs; and (v) Article 2 of Chapter 126 of the General Statutes, except for
34 G.S. 126-7.1.

35 **SECTION 11.9.(f)** Application Requirements. — ~~The nonprofit corporation~~
36 ~~entering into a contract with the Authority under subsection (d) of this section~~ The Office shall
37 issue an initial RFP with guidelines and criteria for the grants no later than March 1, 2016.
38 January 1, 2016. An eligible entity that seeks a grant under the program authorized by this
39 section shall submit to the ~~nonprofit corporation~~ Office an application at such time, in such
40 manner, and accompanied by such information as the ~~nonprofit~~ Office may require. An
41 applicant shall include at least the following information in its response to the RFP for
42 consideration by the ~~nonprofit corporation~~ Office:

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 15

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H15-ATC-120 [v.1]

Page 4 of 7

- (1) The extent to which the entity has a demonstrated record of preparing school leaders who implement school leadership practices linked to increased student achievement.
- (2) The extent to which the entity has a rigorous school leader preparation program design that includes the following research-based programmatic elements:
 - a. A proactive, aggressive, and intentional recruitment strategy.
 - b. Rigorous selection criteria based on competencies that are predictive of success as a school leader, including, but not limited to, evidence of significant positive effect on student learning growth in the classroom, at the school-level, and the local school administrative unit-level, professional recommendations, evidence of problem solving and critical thinking skills, achievement drive, and leadership of adults.
 - c. Alignment to high-quality national standards for school leadership development.
 - d. Rigorous coursework that effectively links theory with practice through the use of field experiences and problem-based learning.
 - e. Full-time clinical practice of at least five months in duration in an authentic setting, including substantial leadership responsibilities where candidates are evaluated on leadership skills and effect on student outcomes as part of program completion.
 - f. Multiple opportunities for school leader candidates to be observed and coached by program faculty and staff.
 - g. Clear expectations for and firm commitment from school leaders who will oversee the clinical practice of candidates.
 - h. Evaluation of school leader candidates during and at the end of the clinical practice based on the North Carolina School Executive Evaluation Rubric.
 - i. A process for continuous review and program improvement based on feedback from partnering local school administrative units and data from program completers, including student achievement data.
 - j. Established relationship and feedback loop with affiliated local school administrative units that is used to inform and improve programmatic elements from year to year based on units' needs.

SECTION 11.9.(g) Priorities. – The ~~nonprofit corporation~~ Office shall evaluate the applicants for grants by giving priority to an eligible entity with a record of preparing principals demonstrating the following:

- (1) Improvement in student achievement.
- (2) Placement as school leaders in eligible schools.
- (3) A proposed focus on and, if applicable, a record of serving high-need schools, high-need local school administrative units, or both.

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 15

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H15-ATC-120 [v.1]

Page 5 of 7

- (4) A detailed plan and commitment to share lessons learned and to improve the capacity of other entities in reaching similar outcomes.

SECTION 11.9.(h) Uses of Funds. — ~~By June 1, 2016, the nonprofit corporation~~
By March 1, 2016, the Office shall recommend to the Authority the recipients of grants under the program. Each eligible entity that receives grant funds shall use those funds to carry out the following:

- (1) Recruiting and selecting, based on a rigorous evaluation of the competencies of the school leader candidates participating in the program and their potential and desire to become effective school leaders.
- (2) Operating a school leader preparation program by doing the following:
 - a. Utilizing a research-based content and curriculum, including embedded participant assessments to evaluate candidates before program completion, that prepares candidates to do the following:
 1. Provide instructional leadership, such as developing teachers' instructional practices and analyzing classroom and school-wide data to support teachers.
 2. Manage talent, such as developing a high-performing team.
 3. Build a positive school culture, such as building a strong school culture focused on high academic achievement for all students, including gifted and talented students, students with disabilities, and English learners, maintaining active engagement with family and community members, and ensuring student safety.
 4. Develop organizational practices, such as aligning staff, budget, and time to the instructional priorities of the school.
 - b. Providing opportunities for sustained and high-quality job-embedded practice in an authentic setting where candidates are responsible for moving the practice and performance of a subset of teachers or for school-wide performance as principal-in-planning or interim school leaders.
- (3) Collecting data on program implementation and program completer outcomes for continuous program improvement.

SECTION 11.9.(i) Duration of Grants. — ~~The nonprofit corporation~~ Office shall also recommend to the Authority the duration and renewal of grants to eligible entities according to the following:

- (1) The duration of grants shall be as follows:
 - a. Grants shall be no more than five years in duration.
 - b. ~~The nonprofit corporation~~ Office may recommend renewal of a grant based on performance, including allowing the grantee to scale up or replicate the successful program as provided in subdivision (2) of this subsection.

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 15

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H15-ATC-120 [v.1]

Page 6 of 7

(2) In evaluating performance for purposes of grant renewal and making recommendations to the Authority, the ~~nonprofit corporation~~ Office shall consider:

- a. For all grantees, the primary consideration in renewing grants shall be the extent to which program participants improved student achievement in eligible schools.
- b. Other criteria from data received in the annual report in subsection (j) of this section may include the following:
 1. The percentage of program completers who are placed as school leaders in this State within three years of receiving a grant.
 2. The percentage of program completers who are rated proficient or above on the North Carolina School Executive Evaluation Rubric.

SECTION 11.9.(j) Reporting Requirements for Grant Recipients. – Recipients of grants under the program shall submit an annual report to the ~~nonprofit corporation~~ contracting with the Authority, Office beginning in the third year of the grant, with any information requested by the ~~nonprofit corporation~~ Office. Whenever practicable and within a reasonable amount of time, grant recipients shall also make all materials developed as part of the program and with grant funds publically available to contribute to the broader sharing of promising practices. Materials shall not include personally identifiable information regarding individuals involved or associated with the program, including, without limitation, applicants, participants, supervisors, evaluators, faculty, and staff, without their prior written consent. The ~~nonprofit corporation~~ Office shall work with recipients and local school administrative units, as needed, to enable the collection, analysis, and evaluation of at least the following relevant data, within necessary privacy constraints:

- (1) Student achievement in eligible schools.
- (2) The percentage of program completers who are placed as school leaders within three years in the State.
- (3) The percentage of program completers rated proficient or above on school leader evaluation and support systems.

SECTION 11.9.(k) Licensure Process. – By June 1, 2016, the State Board of Education shall adopt a policy to provide for a specific licensure process applicable to school administrators who provide documentation to the State Board of successful completion of a principal preparation program selected for a competitive grant in accordance with this section.

SECTION 11.9.(l) Evaluation and Revision of Program. – The ~~nonprofit corporation administering the program~~ Office shall provide the State Board of Education with the data collected in accordance with subsection (j) of this section on an annual basis. By September 15, 2021, the State Board of Education, in coordination with the Board of Governors of The University of North Carolina, shall revise, as necessary, the licensure requirements for school administrators and the standards for approval of school administrator preparation programs after evaluating the data collected from the grant recipients, including the criteria used in selecting grant recipients and the outcomes of program completers. The State

NORTH CAROLINA GENERAL ASSEMBLY

AMENDMENT

House Bill 15

AMENDMENT NO. _____

(to be filled in by

Principal Clerk)

H15-ATC-120 [v.1]

Page 7 of 7

1 Board of Education shall report to the Joint Legislative Education Oversight Committee by
2 November 15, 2021, on any changes made to the licensure requirements for school
3 administrators and the standards for approval of school administrator preparation programs in
4 accordance with this section.

5 **SECTION 11.9.(m)** Extension of certain deadlines. The General Assembly finds
6 that it is important for the competitive grant program established by this act be implemented in
7 a timely manner so that the program will be available as soon as possible for eligible entities
8 which will in turn benefit students who have the potential and desire to become effective school
9 leaders. However, if the Office makes a good faith effort to meet the deadlines established in
10 subsections (f) and (h) of this section and the Authority determines that additional time is
11 required to satisfactorily meet those deadlines, the deadlines under each of those subsections
12 may be extended by an additional 30 days.

13 **SECTION 11.9.(m)(n)** Of the funds appropriated each fiscal year for this program,
14 the sum of five hundred thousand dollars (\$500,000) shall be allocated to the State Education
15 Assistance Authority to ~~contract with the nonprofit corporation selected pursuant to subsection~~
16 ~~(e) of this section to establish and administer the program. The State Education Assistance~~
17 ~~Authority may use up to five percent (5%) of those funds each fiscal year for administrative~~
18 ~~costs. be used as follows:~~

19 (1) \$475,000 shall be used to hire the Office director and office staff, and for the
20 operating expenses of the Office.

21 (2) \$25,000 shall be used by the State Education Assistance Authority for the
22 Authority's administrative costs regarding the program created by this act.

23 **SECTION 11.9.(n)(o)** Beginning with the 2016-2017 fiscal year, of the funds
24 appropriated for this program, the sum of five hundred thousand dollars (\$500,000) shall be
25 allocated each fiscal year to the State Education Assistance Authority to award grants to
26 selected recipients."

SIGNED


Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

FAILED

TABLED

**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

APPROPRIATIONS COMMITTEE REPORT

**Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair**

FAVORABLE COM SUB , UNFAVORABLE ORIGINAL BILL

HB 15 Year-Round Funds for CC UGETC.
Draft Number: H15-PCS40527-TC-66
Serial Referral: None
Recommended Referral: None
Long Title Amended: Yes
Floor Manager: Stam

HB 658 Funds for Educational Training Centers.
Draft Number: H658-PCS40525-LR-45
Serial Referral: None
Recommended Referral: None
Long Title Amended: Yes
Floor Manager: Steinburg

FAVORABLE HOUSE COM SUB, UNFAVORABLE SENATE COM SUB

SB 37 (CS#1) Waive Tuition/Fallen Officer Was Guardian.
Draft Number: S37-PCS15283-TB-31
Serial Referral: None
Recommended Referral: None
Long Title Amended: No
Floor Manager: C. Graham

FAVORABLE HOUSE COM SUB NO. 2, UNFAVORABLE HOUSE COM SUB NO. 1

SB 561 (HCS#1) Career- and College-Ready Graduates.
Draft Number: S561-PCS15281-LE-13
Serial Referral: None
Recommended Referral: None
Long Title Amended: Yes
Floor Manager: Stam

TOTAL REPORTED: 4



* C M R 5 9 7 - V - 1 *



VISITOR REGISTRATION SHEET

House Comm. on Approp.

09/29/15

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

David Collins	SEANC
Flint Benson	SEANC
John	HAIC
Rachel Blaulien	DPI
Skylar David	DPI
Fred Steen [#]	Governor's Office
Modeline Ketter	CaroMont Health
Lenny Kupper	School of Gov.
Emely Harshman	EMGR
Tim Bradley	NCSFA
Chris Agnew	DOS



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House Comm. on Approp.

09/29/15

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Date

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Ruian Merwald	WM
Sarah Kance	NCDOL
Johanna Reese	NCA CC
Hugh Johnson	NCA CC
Mary Shuping	NCCS
Miller Nichols	Jordan Price
Andy WALSH	SA
Hayden Baughess	FSP
Stephen Korman	CCS
Andy Chase	RMA



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Drew Moritz	UNCGA
John McGray	Relief Corp
Wm B. Barm	Donc
Bruce Mildworf	NCSBA
David Hehen	NC Center for Nonprofits
Tom West	NCI CU
Matt Ellwood	NCS C





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John Hammond	NC DOC
Isabel Villagomez	NCAR
Laurie Anonco	LALC
Martha Jenkins	DWCR
Sarah Bales	Bullock CPSSO
Elizabeth Hoventree	The Hunt Institute
Fred Bone	Bone ASSO
Melvin Cook	OITS
Reston Jones	NC DOT
Heather Horton	NC DOC



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House Comm. on Approp.

09/29/15

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Elizabeth Robinson	NCRMA
Lexi Arthur	NCRMA
Andy Ellen	NCRMA
Elle Seaborn	TS
Sam Hawn	NCDTSEA
Therese	FWU
John Patank	NCRAD
Allison Stewart	Cardinal
Daniel Baum	TAUTMAN SANDERS
Ryan Blackledge	Cone Health



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House Comm. on Approp.

09/29/15



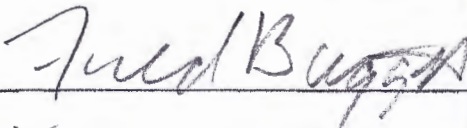
Name of Committee

Date

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FIRM OR AGENCY AND ADDRESS

	
JAKE PARKER	NCFB
	NCAAP
Elizabeth Biser	BP
Chris McClure	BP
Tom Murray	NCAOC
Adam Prudenre	NCHBA
Jackson Cozer	MS
Steve Marge	NCRLA
Tim Minner	NCHBA
Doug Lassiter	NCSA



**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
15 Extra 3 SESSION**

You are hereby notified that the **House Committee on Appropriations** will meet as follows:

DAY & DATE: Tuesday, December 13, 2016
TIME: 2:00 PM
LOCATION: 643 LOB

The following bills will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 2	Disaster Recovery Act of 2016.	Representative Dollar Representative McGrady Representative J. Bell Representative Dixon

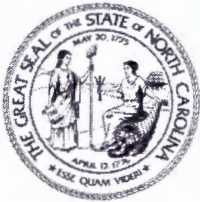
Respectfully,
Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 10:46 AM on Tuesday, December 13, 2016.

____ Principal Clerk
____ Reading Clerk – House Chamber

Candace Slate (Committee Assistant)





House Bill 2: Disaster Recovery Act of 2016.

2015-2016 General Assembly

Committee: House Appropriations
Introduced by:
Analysis of: First Edition

Date: December 13, 2016
Prepared by: Ben Stanley
Staff Attorney

OVERVIEW: *House Bill 2 provides disaster relief to those affected by Hurricane Matthew, recent wildfires in the western part of the State, and Tropical Storms Hermine and Julia.*

BILL ANALYSIS: **Part I** of the bill titles the bill "The Disaster Recovery Act of 2016."

Part II of the bill sets forth findings about the damage caused by Hurricane Matthew and the recent wildfires in the western part of the State. It also notes that there are critical needs in the State that are not being met by existing State and federal programs.

Part III of the bill sets forth the counties that are covered by the act, which includes:

- Any county declared a major disaster by the President of the United States under the federal Stafford Act (P.L. 93-288) as a result of Hurricane Matthew, the wildfires in the Western part of the State, Tropical Storm Julia, or Tropical Storm Hermine.
- Any county that is part of the emergency area set forth in any of the following gubernatorial executive orders: Executive Order No. 97 (September 1, 2016), Executive Order No. 103 (September 22, 2016), Executive Order No. 107 (October 3, 2016), or Executive Order No. 115 (November 10, 2016).

Section 4.1 of the bill appropriates \$100,928,370 from the Savings Reserve Account and \$100,000,000 from the unappropriated General Fund balance and allocates those funds as follows:

- \$20,000,000 to the Housing Trust Fund for eligible projects under Chapter 122E of the General Statutes. The funds are required to directly benefit persons and families affected by the disasters whose incomes do not exceed one hundred percent (100%) of the area's median income, with adjustments for family size, according to the latest figures available from the U.S. Department of Housing and Urban Development.
- \$9,000,000 to the Division of Emergency Management to provide additional support to meet the short-term housing needs of individuals affected by Hurricane Matthew, the western wildfires, and Tropical Storms Julia and Hermine.
- \$11,500,000 to the Division of Emergency Management for resilient redevelopment planning in the 49 counties that were declared a major disaster declaration by the President of the United States.
- \$66,228,370 to the Division of Emergency Management to provide the State match for federal disaster assistance programs.
- \$10,000,000 to the State Emergency Response and Disaster Relief Fund to ensure that sufficient funds are available to provide relief and assistance from future emergencies.

Kory Goldsmith
Director



Legislative Drafting
919-733-6660

This bill analysis was prepared by the nonpartisan legislative staff for the use of legislators in their deliberations and does not constitute an official statement of legislative intent.

Draft

Page 2

- \$5,000,000 to The Golden L.E.A.F. Foundation for the purpose of providing grants to eligible entities capable of making loans to small businesses affected by the disasters.
- \$20,000,000 to The Golden L.E.A.F. Foundation to provide grants to local governments to construct new infrastructure in areas outside the 100-year floodplain or to repair or replace existing infrastructure, including water, sewer, sidewalks, storm drainage, and similar infrastructure projects.
- \$10,000,000 to the Department of Commerce to provide grants to local governments to construct new infrastructure in areas outside the 100-year floodplain or to repair or replace existing infrastructure, including water, sewer, sidewalks, storm drainage, and similar infrastructure projects.
- \$10,000,000 to the Department of Environmental Quality for disaster-related infrastructure and cleanup needs including, but not limited to, repair of wastewater and drinking water systems, dam safety, emergency permitting, and solid waste cleanup. The Department of Environmental Quality is required to allocate a portion of these funds to assist local governments in mitigating the failure of burial sites.
- \$37,950,000 to the Department of Agriculture and Consumer Services to be further allocated for the following purposes:
 - \$25,500,000 to the North Carolina Forest Service for repairs and operational expenses at Claridge Nursery, wildfire response, and disaster-related timber restoration.
 - \$12,200,000 to the Division of Soil and Water Conservation for stream debris removal and non-field farm road repairs, and for supplemental funding of the Agricultural Water Resources Assistance Program to support disaster-related farm pond and dam repairs.
 - \$250,000 to the Research Stations Division for dike repairs at the Cherry Research Farm in Wayne County.
- \$1,000,000 to the Department of Insurance to provide grants to volunteer fire departments for repairs of damages caused by the disasters that were not covered by federal assistance or insurance proceeds.
- \$250,000 to the Department of Commerce, in consultation with the Economic Development Partnership of North Carolina, to assess the need for business assistance funds for businesses affected by the disasters.

Section 4.2 provides that because the General Assembly will convene shortly after this bill is enacted and has continuing authority to address the State's disaster relief needs, the General Assembly finds that broad Executive expenditure flexibility over the funds appropriated in the bill is not warranted. This section accordingly prohibits the Governor from using funds appropriated in the bill to make budget adjustments under G.S. 143C-6-4 or to make reallocations under G.S. 166A-19.40(c).

Section 4.3 requires that savings be effected where total amounts appropriated are not needed.

Section 4.4 prevents funds appropriated in the act from reverting until the General Assembly directs their reversion.

Section 5.1 grants the Governor the authority to establish time-limited positions to implement the act.

Section 5.2 requires the Governor to establish advisory councils to advise relevant State agencies on hurricane relief and recovery efforts.

Draft

Page 3

Section 5.3 provides that if a person's home is relocated or purchased with funds from the Hazard Mitigation Grant Program or the State Acquisition and Relocation Fund, the State Emergency Response and Disaster Relief Fund is subrogated to the person's rights under any insurance coverage for the damage to the home, and any monies received from the insurance coverage are required to be paid to the State Emergency Response and Disaster Relief Fund.

Section 5.4 encourages State agencies to acquire goods and services from historically underutilized business vendors.

Section 5.5 states that the General Assembly intends to review in 2017 and 2018 the adequacy of federal funds received for disaster management and to consider actions needed to address any remaining unmet needs. It also states that the General Assembly intends to review the adequacy of the resilient redevelopment planning measures funded by Subdivision (3) of Section 4.1 of this act at that time.

Section 5.6 prohibits State funds appropriated in the bill from being used to construct new residences within the 100-year floodplain unless the construction is in an area regulated by a unit of local government pursuant to a floodplain management ordinance, and the construction complies with the ordinance. This section also provides that homeowners in the 100-year floodplain who receive homeowner's housing assistance pursuant to this act shall have in effect federal flood insurance, if available, as a condition to receipt of State homeowner's housing assistance for losses resulting from future flooding.

Section 5.7 provides that a local board of education that closed a school in the local school administrative unit or a regional school that was closed during the months of October 2016 due to unusual and extraordinary inclement weather conditions related to Hurricane Matthew for at least two consecutive school days shall be deemed to have completed any scheduled instructional hours and days in excess of those two days missed due to Hurricane Matthew during the month of October 2016. In addition, a charter school that closed during the months of October or November 2016 due to unusual and extraordinary inclement weather conditions related to Hurricane Matthew or to wildfires in the western part of the State for at least two consecutive school days shall be deemed to have completed any scheduled instructional hours and days in excess of those two days missed due to Hurricane Matthew or to wildfires in the Western part of the State during the months of October or November 2016.

Section 5.8 requires the Office of State Budget and Management to report to the chairs of the House of Representatives and Senate Appropriations Committees and to the Fiscal Research Division on the implementation of the bill on a monthly basis or as otherwise requested by the Fiscal Research Division. It also requires non-State entities that receive or administer funds appropriated in the act to cooperate with the Office of State Budget and Management in meeting this reporting obligation.

Section 5.9 grants the Governor the authority to waive certain DMV fees for residents of areas affected by Hurricane Matthew.

Section 5.10 requires the Governor to ensure that funds appropriated in the bill are expended in a manner that does not adversely affect any person or entity's eligibility for federal funds that are made available, or that are anticipated to be made available, as a result of Hurricane Matthew, the western North Carolina wildfires, or Tropical Storms Hermine and Julia. It also instructs the Governor, to the extent practicable, to avoid using State funds to cover costs that will be, or likely will be, covered by federal funds.

Section 5.11 requires the Department of Commerce to transfer any disaster-related Community Development Block Grant Disaster Recovery Program funds to the Division of Emergency Management.

Draft

Page 4

EFFECTIVE DATE: Section 6.1 provides that except as otherwise provided, the act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA
THIRD EXTRA SESSION 2016

H

1

HOUSE BILL 2

Short Title: Disaster Recovery Act of 2016. (Public)

Sponsors: Representatives Dollar, McGrady, J. Bell, and Dixon (Primary Sponsors).

Referred to: Appropriations

December 13, 2016

A BILL TO BE ENTITLED
AN ACT TO ENACT THE DISASTER RECOVERY ACT OF 2016.
The General Assembly of North Carolina enacts:

PART I. TITLE OF ACT

SECTION 1.1. This act shall be known as "The Disaster Recovery Act of 2016."

PART II. LEGISLATIVE FINDINGS

DAMAGE CAUSED BY HURRICANE MATTHEW AND THE WILDFIRES IN THE
WESTERN PART OF THE STATE

SECTION 2.1.(a) The General Assembly finds that Hurricane Matthew was one of the strongest hurricanes to form in the Atlantic Ocean in a decade and that it, along with Tropical Storms Julia and Hermine, caused widespread heavy rainfall, record flooding, and dozens of deaths in North Carolina. The General Assembly further finds that wildfires in the western part of the State burned tens of thousands of acres and destroyed hundreds of structures.

SECTION 2.1.(b) The General Assembly finds that as a result of Hurricane Matthew, the wildfires in western North Carolina, and Tropical Storms Julia and Hermine, the following has occurred:

- (1) Central and eastern North Carolina endured record-breaking rainfall that created 1,000-year flood events that devastated the people, infrastructure, businesses, and schools of entire communities.
- (2) At the height of Hurricane Matthew, 800,000 people were without power, nearly 3,750 were displaced from their homes, 635 roads were closed, 34 school systems were closed, and 28 people lost their lives.
- (3) Riverine flooding began several days after Hurricane Matthew passed and lasted more than two weeks. Several larger rivers reached well above major flooding levels, including the Tar, Cape Fear, Cashie, Lumber, and Neuse. On October 24, 2016, the last river that had reached flood stages finally returned to normal levels.
- (4) Forty-nine of the State's counties were declared a major disaster by the President of the United States under the Stafford Act (P.L. 93-288).
- (5) People lost their loved ones, their homes, their communities, their houses of worship, their life savings, their jobs, their family mementos, their pets, and their ways of life.



- (6) Entire towns were flooded to the rooftops as the water levels of rivers and streams throughout Eastern North Carolina crested at flood-stage heights far beyond those ever seen before in this State.
- (7) Approximately 88,000 homes were damaged with a total loss of more than \$967 million. Of these, 4,424 homes were completely destroyed. This damage represents an extraordinary economic loss as 68% of the damages, or \$659 million, is not expected to be covered by insurance or FEMA assistance.
- (8) More than 30,000 businesses suffered physical or economic damage. More than 400,000 employees were impacted.
- (9) More than 8,000 businesses have requested assistance due to physical or economic impact loss as a result of the storm. As of November 28, 2016, 614 businesses have completed complex Small Business Administration loan applications. Only 143 of these loan applications have been approved. The numbers suggest both the numbers of businesses that suffered physical damage as a result of the hurricane and the inability of many businesses in the region to take on additional debt. Without additional assistance, many businesses may not be able to reopen and jobs will be lost.
- (10) Caskets floated out of the saturated ground.
- (11) Local governments have suffered loss of infrastructure, damage to public buildings, roads, wastewater treatment plants, and other facilities. Public Assistance projects are in planning stages to repair facilities and roads, remove debris, and otherwise affect cleanup and repair of local government facilities. In addition, the damage from the storms to property and businesses has eroded the tax base of the counties affected. These counties must bear a loss of revenue at the same time they are shouldering the costs of replacing and repairing the infrastructure and meeting the additional needs of the population struggling to recover from the effects of the hurricane.
- (12) More than 62,000 total acres burned in North Carolina, including more than 25,000 acres on land protected by the State.
- (13) More than 2,400 emergency responders responded to the wildfires and related events.
- (14) Firefighters from 40 states joined North Carolina to assist in firefighting efforts, including teams from Florida, Idaho, Oregon, Utah, and Nevada.
- (15) Starting just weeks after Hurricane Matthew on October 23, 2016, and continuing throughout November, 26 major and dozens of smaller fires impacted air quality across the State.

CRITICAL NEEDS NOT MET BY EXISTING STATE AND FEDERAL PROGRAMS AND FUNDS

SECTION 2.2.(a) The General Assembly finds that the State and federal disaster relief initiatives are not intended to make individuals whole after a loss; they are intended to assist the affected areas in recovering from the damage caused by Hurricane Matthew, the western wildfires, and Tropical Storms Julia and Hermine.

Without significant additional State assistance to the area devastated by these events, further deterioration of the economy, the environment, public health and safety, and quality of life in the region is likely to occur. Without additional State assistance:

- (1) Many people in uninsured, damaged homes will either not qualify for federal housing assistance or not have the resources to take advantage of federal housing assistance.
- (2) Local governments already overwhelmed with storm-related expenses may not have the resources to repair damaged infrastructure and provide the new

1 infrastructure necessary for families relocating out of the flood and landslide
2 zones and for businesses that are in the process of rebuilding.

3 (3) Jobs may be permanently lost because many cannot qualify for Small Business
4 Administration loans.

5 (4) Many farmers who suffered significant losses may find it difficult to continue
6 farming.

7 (5) Resources for drinking water protection, solid waste cleanup, hazardous waste
8 cleanup, and remediation of high-risk storage tanks will be inadequate.

9 **SECTION 2.2.(b)** It is the intent of the General Assembly that the benefits of the
10 projects and programs authorized by this act are for the common good and collective recovery of
11 the people of this State following devastating natural disasters directly affecting a large portion of
12 the State and indirectly affecting the entire State. The entire State faces a major loss if the counties
13 that bore the major impact of these disasters are not offered the assistance provided by this act.
14 The purpose of this act is to provide an ultimate net public benefit to the State through a successful
15 recovery initiative.

16 17 **PART III. COUNTIES COVERED BY THIS ACT**

18 **SECTION 3.1.** Sections 2.1 through 4.4 of this act apply in the North Carolina
19 counties that were any of the following:

20 (1) Declared a major disaster by the President of the United States under the
21 Stafford Act (P.L. 93-288) as a result of Hurricane Matthew, wildfires in the
22 western part of the State, Tropical Storm Julia, or Tropical Storm Hermine.

23 (2) Part of the emergency area set forth in any of the following gubernatorial
24 executive orders: Executive Order No. 97 (September 1, 2016), Executive
25 Order No. 103 (September 22, 2016), Executive Order No. 107 (October 3,
26 2016), or Executive Order No. 115 (November 10, 2016).

27 28 **PART IV. FUNDING OF DISASTER RELIEF**

29 30 **APPROPRIATIONS AND ALLOCATIONS OF FUNDS FOR DISASTER RELIEF**

31 **SECTION 4.1.** In addition to any other funds appropriated during the 2016-2017
32 fiscal year, there is appropriated from the Savings Reserve Account to the General Fund the sum
33 of one hundred million nine hundred twenty-eight thousand three hundred seventy dollars
34 (\$100,928,370) in nonrecurring funds for the 2016-2017 fiscal year and there is appropriated from
35 the unappropriated General Fund balance the sum of one hundred million dollars (\$100,000,000)
36 in nonrecurring funds for the 2016-2017 fiscal year. These funds shall be allocated as follows:

37 (1) \$20,000,000 shall be allocated to the Housing Trust Fund for eligible projects
38 under Chapter 122E of the General Statutes. Notwithstanding G.S. 122E-6,
39 these funds shall directly benefit persons and families affected by Hurricane
40 Matthew, the western wildfires, or Tropical Storms Julia and Hermine whose
41 incomes do not exceed one hundred percent (100%) of the area's median
42 income, with adjustments for family size, according to the latest figures
43 available from the U.S. Department of Housing and Urban Development.

44 (2) \$9,000,000 shall be allocated to the Division of Emergency Management to
45 provide additional support to meet the short-term housing needs of individuals
46 affected by Hurricane Matthew, the western wildfires, and Tropical Storms
47 Julia and Hermine.

48 (3) \$11,500,000 shall be allocated to the Division of Emergency Management for
49 resilient redevelopment planning. These funds shall be used to do the
50 following:

- 1 a. Oversee and facilitate strategic resiliency planning meetings at each of
- 2 the 49 counties that were declared a major disaster by the President of
- 3 the United States as a result of Hurricane Matthew as well as the five
- 4 economic development regions that were affected by that storm.
- 5 b. Develop strategic, resilient redevelopment plans for each of these 49
- 6 counties.
- 7 c. Oversee the submission of county-approved strategic resiliency action
- 8 plans for federal approval.
- 9 d. Provide redevelopment expertise, technical assistance, and
- 10 administrative support to the 49 counties and economic regions
- 11 throughout the planning, design, and implementation of action plans.
- 12 (4) \$66,228,370 shall be allocated to the State Emergency Response and Disaster
- 13 Relief Fund to provide the State match for federal disaster assistance programs.
- 14 (5) \$10,000,000 shall be allocated to the State Emergency Response and Disaster
- 15 Relief Fund to ensure that sufficient funds are available to provide relief and
- 16 assistance from future emergencies, as authorized by G.S. 166A-19.42.
- 17 (6) \$5,000,000 shall be allocated to The Golden L.E.A.F. (Long-Term Economic
- 18 Advancement Foundation), Inc., a nonprofit corporation, for the purpose of
- 19 providing grants to eligible entities capable of making loans to small businesses
- 20 affected by Hurricane Matthew, the western wildfires, or Tropical Storms Julia
- 21 and Hermine.
- 22 (7) \$20,000,000 shall be allocated to The Golden L.E.A.F. (Long-Term Economic
- 23 Advancement Foundation), Inc., a nonprofit corporation, to provide grants to
- 24 local governments to construct new infrastructure required to support the
- 25 development of new residential structures in areas outside the 100-year
- 26 floodplain or repair or replace existing infrastructure. For purposes of this
- 27 subdivision, infrastructure includes water, sewer, sidewalks, storm drainage,
- 28 and other, similar projects that provide assistance or relief for Hurricane
- 29 Matthew, the western wildfires, and Tropical Storms Julia and Hermine.
- 30 (8) \$10,000,000 shall be allocated to the Department of Commerce to be further
- 31 allocated to the Rural Economic Development Division to provide grants to
- 32 local governments to construct new infrastructure required to support the
- 33 development of new residential structures in areas outside the 100-year
- 34 floodplain or repair or replace existing infrastructure. For purposes of this
- 35 subdivision, infrastructure includes water, sewer, sidewalks, storm drainage,
- 36 and other, similar projects that provide assistance or relief for Hurricane
- 37 Matthew, the western wildfires, or Tropical Storms Julia and Hermine.
- 38 (9) \$10,000,000 shall be allocated to the Department of Environmental Quality for
- 39 disaster-related infrastructure and cleanup needs including, but not limited to,
- 40 repair of wastewater and drinking water systems, dam safety, emergency
- 41 permitting, and solid waste cleanup. The Department of Environmental Quality
- 42 shall allocate a portion of these funds to assist local governments to mitigate the
- 43 failure of burial sites and to take other steps necessary to protect the public
- 44 health.
- 45 (10) \$37,950,000 shall be allocated to the Department of Agriculture and Consumer
- 46 Services to be further allocated for the following purposes:
- 47 a. \$25,500,000 to the North Carolina Forest Service for repairs and
- 48 operational expenses at Claridge Nursery in Wayne County, wildfire
- 49 response, and disaster-related timber restoration.
- 50 b. \$12,200,000 to the Division of Soil and Water Conservation for stream
- 51 debris removal and non-field farm road repairs and for supplemental

1 funding of the Agricultural Water Resources Assistance Program to
2 support disaster-related farm pond and dam repairs.

3 c. \$250,000 to the Research Stations Division for dike repairs at the
4 Cherry Research Farm in Wayne County.

5 (11) \$1,000,000 shall be allocated to the Department of Insurance, Office of the
6 State Fire Marshal, to provide grants to volunteer fire departments for repairs of
7 damages caused by Hurricane Matthew, the wildfires in the western part of the
8 State, and Tropical Storms Julia and Hermine that were not covered by federal
9 assistance or by the proceeds of insurance policies.

10 (12) \$250,000 shall be allocated to the Department of Commerce to assess, in
11 consultation with the Economic Development Partnership of North Carolina,
12 the need for business assistance funds for businesses affected by Hurricane
13 Matthew, the western wildfires, and Tropical Storms Julia and Hermine. The
14 Department may use funds allocated in this section to fund time-limited
15 positions, as needed, within the Department or the Economic Development
16 Partnership of North Carolina to conduct the assessment. On or before March 1,
17 2017, the Department shall submit a report detailing its findings and making
18 recommendations for the best process to administer recovery assistance funds
19 to the Chairs of the House Appropriations Committee, the Chairs of the Senate
20 Appropriations/Base Budget Committee, and the Fiscal Research Division.

21 22 LIMITATIONS ON FUND USE

23 SECTION 4.2. The General Assembly finds that the scope of the immediate needs
24 produced by the devastation wrought by recent natural disasters in this State warrants taking the
25 steps in this act. The General Assembly further finds that efforts to assess and address the damage
26 will need to continue when the General Assembly returns for the 2017 Regular Session. Because
27 the 2017 General Assembly will convene shortly and has continuing authority to address the
28 State's disaster relief needs, the 2015 General Assembly finds that broad executive expenditure
29 flexibility over the funds appropriated in this act is not warranted. Accordingly, the Governor shall
30 not use funds appropriated in this act to make budget adjustments under G.S. 143C-6-4 or to make
31 reallocations under G.S. 166A-19.40(c). Nothing in this section shall be construed to prohibit the
32 Governor from exercising the Governor's authority under these statutes with respect to funds other
33 than those appropriated in this act.

34 35 EACH APPROPRIATION AND ALLOCATION IS MAXIMUM AND CONDITIONAL

36 SECTION 4.3. The appropriations and allocations made in this act are for maximum
37 amounts necessary to implement this act. Savings shall be effected where the total amounts
38 appropriated or allocated are not required to implement this act.

39 40 FUNDS DO NOT REVERT

41 SECTION 4.4. Funds appropriated in or allocated in this act shall remain available to
42 implement the provisions of this act until the General Assembly directs the reversion of any
43 unexpended and unencumbered funds. G.S. 143C-6-23(f1)(1) shall not apply to funds
44 appropriated in this act.

45 46 PART V. IMPLEMENTATION OF ACT

47 48 AUTHORITY TO ESTABLISH TIME-LIMITED POSITIONS TO IMPLEMENT THIS 49 ACT

1 **SECTION 5.1.** The Governor may establish part-time and full-time personnel
2 positions to implement this act. Positions established under this section are time-limited and
3 exempt from the State Human Resources Act
4

5 **AUTHORITY TO ESTABLISH ADVISORY COUNCILS TO ADVISE STATE**
6 **AGENCIES ON RECOVERY EFFORTS**

7 **SECTION 5.2.** The Governor shall establish advisory councils to advise relevant
8 State agencies on hurricane relief and recovery efforts and to ensure input from representatives of
9 affected communities and groups.
10

11 **SUBROGATION BY STATE OF RIGHT TO INSURANCE COVERAGE FOR**
12 **DAMAGED HOMES PURCHASED OR RELOCATED UNDER THE HAZARD**
13 **MITIGATION PROGRAM**

14 **SECTION 5.3.** If a person's home is relocated or purchased with funds from the
15 Hazard Mitigation Grant Program or the State Acquisition and Relocation Fund, the State
16 Emergency Response and Disaster Relief Fund is subrogated to the person's rights under any
17 insurance coverage for the damage to the home, and any monies received from the insurance
18 coverage shall be paid to the State Emergency Response and Disaster Relief Fund. The Division
19 of Emergency Management shall ensure that those potentially affected by this section are notified
20 of, and adhere to, its requirements.
21

22 **INVOLVEMENT OF HISTORICALLY UNDERUTILIZED BUSINESSES**

23 **SECTION 5.4.** It is the intent of the General Assembly that, during this time of
24 rebuilding and relief efforts, each State agency should strive to acquire goods and services from
25 historically underutilized business vendors, whether directly as principal contractors or indirectly
26 as subcontractors or otherwise.
27

28 **LEGISLATIVE REVIEW OF FEDERAL FUNDING AND REMAINING UNMET NEEDS**

29 **SECTION 5.5.** It is the intent of the General Assembly to review in 2017 and 2018
30 the funds appropriated by Congress and to consider actions needed to address any remaining
31 unmet needs. It is also the intent of the General Assembly to review the adequacy of the measures
32 funded by subdivision (3) of Section 4.1 of this act at that time.
33

34 **PROHIBITION ON USE OF STATE FUNDS TO CONSTRUCT CERTAIN RESIDENCES**

35 **SECTION 5.6.(a)** No State funds appropriated in this act may be expended for the
36 construction of any new residence within the 100-year floodplain unless the construction is in an
37 area regulated by a unit of local government pursuant to a floodplain management ordinance and
38 the construction complies with the ordinance. As used in this section, "100-year floodplain" means
39 any area subject to inundation by a 100-year flood, as indicated on the most recent Flood
40 Insurance Rate Map prepared by the Federal Emergency Management Agency under the National
41 Flood Insurance Program.

42 **SECTION 5.6.(b)** Homeowners in the 100-year floodplain who receive homeowner's
43 housing assistance pursuant to this act shall have in effect federal flood insurance, if available, as a
44 precondition to receipt of State homeowner's housing assistance for losses resulting from future
45 flooding.

46 **SECTION 5.6.(c)** Funds loaned to small and mid-sized businesses shall be used only
47 for eligible purposes under the Small Business Administration (SBA) disaster loan assistance
48 program, as described in the Federal disaster declarations designated by the SBA as NC 14911 and
49 NC 14912. Payments for economic losses shall be limited to documented business expenses
50 necessary for the continued operation of the business.
51

FLEXIBILITY IN SCHOOL CALENDAR TO ACCOMMODATE EXTRAORDINARY CIRCUMSTANCES

SECTION 5.7.(a) Notwithstanding G.S. 115C-84.2(a)(1), if a local board of education closed any school in the local school administrative unit during the month of October 2016 due to unusual and extraordinary inclement weather conditions related to Hurricane Matthew for at least two consecutive school days, that school shall be deemed to have completed any scheduled instructional hours and days in excess of those two days missed due to Hurricane Matthew during the month of October 2016. Teachers and other school employees employed for a 10-month term are deemed to have been employed for the scheduled instructional days missed due to Hurricane Matthew in excess of those two days during the month of October 2016, and all other employees shall be compensated as if they had worked the scheduled instructional days missed due to Hurricane Matthew in excess of those two days during the month of October 2016.

SECTION 5.7.(b) Notwithstanding G.S. 115C-218.85(a)(1), if a charter school was closed during the months of October or November 2016 due to unusual and extraordinary inclement weather conditions related to Hurricane Matthew or to wildfires in the western part of the State for at least two consecutive school days, that charter school shall be deemed to have completed any scheduled instructional hours and days in excess of those two days missed due to Hurricane Matthew or to wildfires in the Western part of the State during the months of October or November 2016.

SECTION 5.7.(c) Notwithstanding G.S. 115C-238.53(d) and G.S. 115C-238.66(1)d., if a regional board of directors closed a regional school under that board's control during the month of October 2016 due to unusual and extraordinary inclement weather conditions related to Hurricane Matthew for at least two consecutive school days, that regional school shall be deemed to have completed any scheduled instructional hours and days in excess of those two days missed due to Hurricane Matthew during the month of October 2016. Teachers and other school employees employed for a 10-month term are deemed to have been employed for the scheduled instructional days missed due to Hurricane Matthew in excess of those two days during the month of October 2016, and all other employees shall be compensated as if they had worked the scheduled instructional days missed due to Hurricane Matthew in excess of those two days during the month of October 2016.

REPORTING REQUIREMENTS

SECTION 5.8. The Office of State Budget and Management shall report to the Chairs of the House of Representatives and Senate Appropriations Committees and to the Fiscal Research Division of the General Assembly on the implementation of this act on a monthly basis and shall also provide any additional reports or information requested by the Fiscal Research Division. Each report required by this section shall include information about all funds expended or encumbered pursuant to this act as of the date of the report, regardless of which State agency or non-State entity administers the funds. Non-State entities that administer or receive any funds appropriated in this act shall assist and fully cooperate with the Office of State Budget and Management in meeting the Office's obligations under this section.

WAIVER OF CERTAIN DMV FEES

SECTION 5.9.(a) Notwithstanding G.S. 20-14, 20-37.7, 20-85, and 20-88.03, the Governor may waive any fees assessed by the Division of Motor Vehicles under those sections for the following:

- (1) A duplicate drivers license, commercial drivers license, or special identification card.
- (2) A special identification card issued to a person for the first time.
- (3) An application for a duplicate or corrected certificate of title.
- (4) A replacement registration plate.

1 (5) An application for a duplicate registration card.

2 (6) Late payment of a motor vehicle registration renewal fee.

3 **SECTION 5.9.(b)** The waiver authorized under subsection (a) of this section applies
4 only to residents of counties impacted by Hurricane Matthew, as determined by the Governor.

5 **SECTION 5.9.(c)** This section is effective when it becomes law and applies to fees
6 assessed or collected on or after October 1, 2016. This section expires December 1, 2016.

7
8 **ADDITIONAL LIMITATIONS ON USE OF FUNDS**

9 **SECTION 5.10.** The Governor shall ensure that funds appropriated in this act are
10 expended in a manner that does not adversely affect any person's or entity's eligibility for federal
11 funds that are made available, or that are anticipated to be made available, as a result of Hurricane
12 Matthew, the western North Carolina wildfires, or Tropical Storms Julia and Hermine. The
13 Governor shall also, to the extent practicable, avoid using State funds to cover costs that will be,
14 or likely will be, covered by federal funds.

15
16 **FACILITATE USE OF COMMUNITY DEVELOPMENT BLOCK GRANTS FOR**
17 **DISASTER RELIEF**

18 **SECTION 5.11.(a)** Notwithstanding any other provision of law, all Community
19 Development Block Grant Disaster Recovery Program funds received by the Department of
20 Commerce in response to the declarations and executive orders described in Section 3.1 of this act
21 shall be transferred to the Emergency Management Division of the Department of Public Safety.

22 **SECTION 5.11.(b)** The Emergency Management Division shall assist the Department
23 of Commerce in fulfilling any reporting requirements arising from receipt of the Disaster
24 Recovery Program funds described in subsection (a) of this section.

25
26 **REQUIRE REPLENISHING OF SAVINGS RESERVE ACCOUNT**

27 **SECTION 5.12.** The Governor's Recommended State Budget for the 2017-2018 fiscal
28 year shall include a recommendation to transfer to the Savings Reserve Account the amount of
29 funds appropriated from that Reserve in Section 4.1 of this act.

30
31 **PART VI. EFFECTIVE DATE**

32 **SECTION 6.1.** Except as otherwise provided, this act is effective when it becomes
33 law.

NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE REPORT

Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

FAVORABLE, AS AMENDED AND RE-REFERRED

HB 2

Disaster Recovery Act of 2016.

Draft Number: None

Serial Referral: FINANCE

Recommended Referral: None

Long Title Amended: No

Floor Manager: J. Bell

TOTAL REPORTED: 1



* C M R 1 - V - 1 *



NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. 1

H. B. No. 2

DATE _____

S. B. No. _____

Amendment No. 2

(to be filled in by
Principal Clerk)

COMMITTEE SUBSTITUTE _____

Rep.) DOLLAR
Sen.)

1 moves to amend the bill on page 3, line 26

2 () WHICH CHANGES THE TITLE

3 by REWRITING THE LINES TO READ:

4 "2016), ~~or~~ Executive Order No. 115 (November 16, 2016),
5 or Executive Order No. 116."

6 _____

7 _____

8 _____

9 _____

10 _____

11 _____

12 _____

13 _____

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16 _____

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18 _____

19 _____

SIGNED

ADOPTED ✓ FAILED _____ TABLED _____

PRINCIPAL CLERK'S OFFICE

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. 1

H. B. No. 2

DATE _____

S. B. No. _____

Amendment No. 2

(to be filled in by
Principal Clerk)

COMMITTEE SUBSTITUTE _____

Rep.) WILLAR
)
Sen.)

1 moves to amend the bill on page 3, line 2

2 () WHICH CHANGES THE TITLE

3 by _____

4 "2016), Executive Order No. 15 (November 16, 2016).

5 "Executive Order No. 116."

6 _____

7 _____

8 _____

9 _____

10 _____

11 _____

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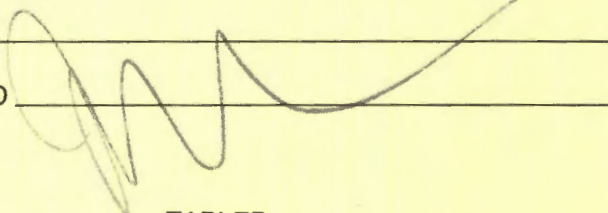
16 _____

17 _____

18 _____

19 _____

SIGNED



ADOPTED ✓ FAILED _____ TABLED _____

PRINCIPAL CLERK'S OFFICE



OK

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 2

AMENDMENT NO. 3
(to be filled in by
Principal Clerk)

H2-ATC-1 [v.2]

Page 1 of 1

Amends Title [NO]
First Edition

Date 2016

Representative McGrady

1 moves to amend the bill on page 7, lines 30-31, by inserting the following between those lines:

2
3 "SECTION 5.7.(d) The Superintendent of Public Instruction shall report to the Chairs
4 of the House of Representatives and Senate Appropriations Committees and to the Fiscal Research
5 Division of the General Assembly on the implementation of this section by local school
6 administrative units, charter schools, and regional schools by March 10, 2017, and shall also
7 provide any additional reports or information requested by the Fiscal Research Division. Local
8 school administrative units, charter schools, and regional schools shall provide information on
9 implementation of this section in the form requested by the Superintendent of Public Instruction
10 no later than February 10, 2017."

SIGNED

Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

✓

FAILED

TABLED



* H 2 - A T C - 1 - V - 2 *



**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE APPROPRIATIONS COMMITTEE
2016 Third Extra Session**

**RULES
12/13/2016**

The following rules govern the eligibility of amendments to House Bill 2:

1. Amendments cannot increase total spending appropriated for a stated purpose beyond the total authorized for that purpose in the bill. Amendments can only affect the administration of funds by a department for that purpose.
2. Amendments cannot increase total spending, from any source.
3. Amends must pertain to disaster relief. Amendments cannot change substantive policy or law.
4. The House Budget Team will review amendments to make sure they are eligible for consideration.



Appropriations Committee

[illegible]



[illegible]




Rep. Larry Pittman	X																		
Rep. Michele Presnell	X																		
Rep. Joe Sam Queen	X																		
Rep. Bobbie Richardson	X																		
Rep. William Richardson	X																		
Rep. Dennis Riddell	✓																		
Rep. Jason Saine	X																		
Rep. Brad Salmon	X																		
Rep. Chris Sgro	X																		
Rep. Phil Shepard	X																		
Rep. Michael Speciale	X																		
Rep. Paul Stam	X																		
Rep. Sarah Stevens	X																		
Rep. Scott Stone	X																		
Rep. Evelyn Terry	X																		
Rep. Paul Tine	✓																		
Rep. John Torbett	✓																		
Rep. Brian Turner	✓																		
Rep. Rena Turner	X																		
Rep. Sam Watford	X																		
Rep. Roger West	✓																		
Rep. Chris Whitmire	X																		
Rep. Shelly Willingham	X																		
Rep. Michael Wray	X																		
Rep. Larry Yarborough	X																		
Appropriations Staff:																			
Karen Hammonds-Blanks																			
Richard Bostic																			
Phyllis Pickett	X																		
Lisa Wilks																			

Committee Sergeants at Arms

NAME OF COMMITTEE House Appropriation

DATE: 12/13/16 Room: 643

House Sgt-At Arms:

- | | |
|---|--------------------------|
| 1. Name: <u>Young Bae</u> | <u>Russell Salisbury</u> |
| 2. Name: <u>Barry Moore</u> | <u>Dean Marshbourne</u> |
| 3. Name: <u>Terry McCraw</u> | <u>Warren Hawkins</u> |
| 4. Name: <u>Reggie Sills</u> | |
| 5. Name: <u>Jim Moran</u> | |
|  | |
| 6. Name: <u>Marvin Lee</u> | |
| 7. Name: <u>David Leighton</u> | |
| 8. Name: <u>Jonas Cherry</u> | |
| 9. Name: <u>Mark Cone</u> | |
| 10. Name: <u>Bill Riley</u> | |



Candace Slate (Rep. Nelson Dollar)

From: Candace Slate (Rep. Nelson Dollar)
Sent: Thursday, December 15, 2016 10:53 AM
To: Rep. Paul Stam; Rep. John Torbett
Cc: Andrea Danchi (Rep. Paul Stam); Viddia Torbett (Rep. John Torbett)
Subject: <NCGA> House Appropriations Committee Meeting Notice for Thursday, December 15, 2016 at 11:30 AM
Attachments: Add Meeting to Calendar_LINC_ics

**NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
AND
BILL SPONSOR NOTIFICATION
2016 FOURTH EXTRA SESSION**

You are hereby notified that the **House Committee on Appropriations** will meet as follows:

DAY & DATE: Thursday, December 15, 2016
TIME: 11:30 AM
LOCATION: 643 LOB

The following bills will be considered:

BILL NO.	SHORT TITLE	SPONSOR
HB 10	Clarify Funding Eligibility/Charter Schools.	Representative Torbett Representative Stam

Respectfully,
Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 10:50 AM on Thursday, December 15, 2016.

____ Principal Clerk
____ Reading Clerk – House Chamber

Candace Slate (Committee Assistant)



GENERAL ASSEMBLY OF NORTH CAROLINA
FOURTH EXTRA SESSION 2016

H

D

HOUSE BILL 10
PROPOSED COMMITTEE SUBSTITUTE H10-PCS30020-MG-1

Short Title: Clarify Funding Eligibility/Charter Schools.

(Public)

Sponsors:

Referred to:

December 14, 2016

A BILL TO BE ENTITLED
AN ACT TO CLARIFY THE ELIGIBILITY OF CHARTER SCHOOLS FOR CERTAIN STATE
FUNDING TO IMPROVE OR MAINTAIN ROADS, DRIVEWAYS, ENTRANCES, AND
PARKING FACILITIES USED BY SCHOOL BUSES FOR TRANSPORTING STUDENTS
AND TO MAKE OTHER CHANGES TO STATE LAW CONCERNING REQUIREMENTS
FOR ROAD IMPROVEMENTS ADJACENT TO SCHOOLS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 136-18(17) reads as rewritten:

"(17) The Department of Transportation is hereby authorized and required to maintain and keep in repair, sufficient to accommodate the public school buses, roads leading from the state-maintained public roads to all public schools and public school buildings to which children are transported on public school buses to and from their homes. Said Department of Transportation is further authorized to construct, pave, and maintain school bus driveways and sufficient parking facilities for the school buses at those schools. The Department of Transportation is further authorized to construct, pave, and maintain all other driveways and entrances to the public schools leading from public roads not required in the preceding portion of this subdivision. This subdivision applies to improvements located on the school site. For purposes of this subdivision, the Department shall have the power to grant final approval of any project design. For purposes of this subdivision, project cost shall not exceed sixty thousand dollars (\$60,000). For the purposes of this subdivision, the term "public school" includes a public charter school subject to Article 14A of Chapter 115C of the General Statutes. For the purposes of this subdivision, the term "public charter school" shall include public charter schools opened on or after July 1, 2015, including expansion buildings. Nothing in this section shall preclude the Department from entering into an agreement with the school whereby the school installs the agreed upon improvements and the Department provides full reimbursement for the associated costs incurred by the school, including design fees and any costs of right-of-way or easements."

SECTION 2. G.S. 136-18(29a) reads as rewritten:

"(29a) To coordinate with all public and private entities planning schools to provide written recommendations and evaluations of driveway access and traffic operational and safety impacts on the State highway system resulting from the development of the proposed sites. All public and private entities shall, upon acquiring land for a new school or prior to beginning construction of a new



* H 1 0 - P C S 3 0 0 2 0 - M G - 1 *

1 school, relocating a school, or expanding an existing school, request from the
2 Department a written evaluation and written recommendations to ensure that all
3 proposed access points comply with the criteria in the current North Carolina
4 Department of Transportation "Policy on Street and Driveway Access". The
5 Department shall provide the written evaluation and recommendations within a
6 reasonable time, which shall not exceed 60 days. This subdivision applies to
7 improvements that are not located on the school property. For purposes of this
8 subdivision, the Department shall have the power to grant final approval of any
9 project design. To facilitate completion of the evaluation and recommendations
10 within the required 60 days, in lieu of the evaluation by the Department,
11 schools may engage their own independent traffic engineer. The resulting
12 evaluation and recommendations from the independent traffic engineer shall
13 also fulfill any similar requirements imposed by a unit of local government.
14 This subdivision shall not be construed to require the public or private entities
15 planning schools to meet the recommendations made by the Department,
16 Department or the independent traffic engineer, except those highway
17 improvements that are required for safe ingress and egress to the State highway
18 system-system, pursuant to subdivision (29) of this section, and that are
19 physically connected to a driveway on the school site. The total cost of any
20 improvements to the State highway system provided by a school pursuant to
21 this subdivision, including those improvements pursuant to subdivision (29) of
22 this section, shall be reimbursed by the Department. Any agreement between a
23 school and the Department to make improvements to the State highway system
24 shall not include a requirement for acquisition of right-of-way by the school,
25 unless the school is owned by an entity that has eminent domain power.
26 Nothing in this subdivision shall preclude the Department from entering into an
27 agreement with the school, providing that the school installs the agreed upon
28 improvements and the Department provides full reimbursement for the
29 associated costs incurred by the school, including design fees and any costs of
30 right-of-way or easements. The term "school," as used in this subdivision,
31 means any facility engaged in the educational instruction of children in any
32 grade or combination of grades from kindergarten through the twelfth grade at
33 which attendance satisfies the compulsory attendance law and includes charter
34 schools authorized under G.S. 115C-218.5. The term "improvements," as used
35 in this subdivision, refers to all facilities within the right-of-way required to be
36 installed to satisfy the road cross-section requirements depicted upon the
37 approved plans. These facilities shall include, but not be limited to, roadway
38 construction, including pavement installation and medians; ditches and
39 shoulders; storm drainage pipes, culverts, and related appurtenances; and,
40 where required, curb and gutter; signals, including pedestrian safety signals;
41 street lights; sidewalks; and design fees. Improvements shall not include any
42 costs for public utilities."

43 **SECTION 3.** Chapter 160A of the General Statutes is amended by adding a new
44 section to read:

45 **"§ 160A-307.1. Limitation on city requirements for street improvements related to schools.**

46 A city may only require street improvements related to schools that are required for safe
47 ingress and egress to the municipal street system and that are physically connected to a driveway
48 on the school site. The required improvements shall not exceed those required pursuant to
49 G.S. 136-18(29). G.S. 160A-307 shall not apply to schools. A city may only require street
50 improvements related to schools as provided in G.S. 160A-372. The cost of any improvements to
51 the municipal street system shall be reimbursed by the Department of Transportation. For

1 purposes of this section, the Department of Transportation shall have the power to grant final
2 approval of any project design for which it provides reimbursement. Any agreement between a
3 school and a city to make improvements to the municipal street system shall not include a
4 requirement for acquisition of right-of-way by the school, unless the school is owned by an entity
5 that has eminent domain power. Any right-of-way costs incurred by a school for required
6 improvements pursuant to this section shall be reimbursed by the Department of Transportation.
7 The term "school," as used in this section, means any facility engaged in the educational
8 instruction of children in any grade or combination of grades from kindergarten through the
9 twelfth grade at which attendance satisfies the compulsory attendance law and includes charter
10 schools authorized under G.S. 115C-218.5."

11 **SECTION 4.** Any rule or policy adopted by the Department of Transportation that
12 does not comply with the provisions of this act shall be null, void, and without effect.

13 **SECTION 5.** The Department of Transportation may adopt temporary rules to
14 implement the provisions of this act. Any temporary rules adopted in accordance with this section
15 shall remain in effect until permanent rules that replace the temporary rules become effective.

16 **SECTION 6.** Sections 1, 4, 5, and 6 of this act become effective July 1, 2016. The
17 remainder of this act is effective when it becomes law.

**NORTH CAROLINA GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES**

APPROPRIATIONS COMMITTEE REPORT

**Representative Nelson Dollar, Senior Chair
Representative Linda P. Johnson, Co-Chair
Representative Donny Lambeth, Co-Chair
Representative Chuck McGrady, Co-Chair**

FAVORABLE COM SUB , UNFAVORABLE ORIGINAL BILL

HB 10

Clarify Funding Eligibility/Charter Schools.

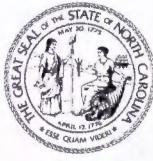
Draft Number:	H10-PCS30020-MG-1
Serial Referral:	None
Recommended Referral:	None
Long Title Amended:	No
Floor Manager:	Torbett

TOTAL REPORTED: 1



* C M R 8 - V - 1 *





**NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 10**

AMENDMENT NO. 1
(to be filled in by
Principal Clerk)

H10-AML-1 [v.1]

Page 1 of 2

Amends Title [NO]
First Edition

Date _____, 2016

Representative Torbett

moves to amend the bill on page 1, lines 8-31, by deleting those lines and substituting the following:

"SECTION 1. G.S. 136-18(17) reads as rewritten:

"(17) The Department of Transportation is hereby authorized and required to maintain and keep in repair, sufficient to accommodate the public school buses, roads leading from the state-maintained public roads to all public schools and public school buildings to which children are transported on public school buses to and from their homes. Said Department of Transportation is further authorized to construct, pave, and maintain school bus driveways and sufficient parking facilities for the school buses at those schools. The Department of Transportation is further authorized to construct, pave, and maintain all other driveways and entrances to the public schools leading from public roads not required in the preceding portion of this subdivision. This subdivision applies to improvement located on the school site. For purposes of this subdivision, the Department shall have the power to grant final approval of any project design. For purposes of this subdivision, project cost shall not exceed sixty thousand dollars (\$60,000). For the purposes of this subdivision, the term "public school" includes a public charter school subject to Article 14A of Chapter 115C of the General Statutes. For the purposes of this subdivision, the term "public charter school" shall include public charter schools opened on or after July 1, 2015, including expansion buildings. Nothing in this section shall preclude the Department from entering into an agreement with the school whereby the school installs the agreed upon improvements and the Department provides full reimbursement for the associated costs incurred by the school, including design fees and any costs of right-of-way or easements."



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 10

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H10-AML-1 [v.1]

Page 2 of 2

SIGNED



Amendment Sponsor

SIGNED

Committee Chair if Senate Committee Amendment

ADOPTED

☒

FAILED

☐

TABLED

☐

VISITOR REGISTRATION SHEET

House Appropriations

12-15-16

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Leslie Young	Ward and Smith, P.A. 5430 Wyde Park Blvd. Raleigh, NC
Shannon Arata	Duke Law Clinics 210 Science Dr. Box 90360, Durham, NC 27708
J Peters	CSS
KEVIN LACY	NCDOT
Sue Ann Forrest	NCMS
Chris McChine	BP
Ida Ballard	Pittsboro NC
Rachelle Johnson	NCAE
Kristy Moore	NCAE
Mark Duggal	NCAE
TIM CROWLEY	NCAE

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Adam Pridemore	NCASA
Matt Ellinwood	NCJC
Philip Byers	UNC BDC
Thom Zyl	nwc
Zane Stilwell	TSG
Suzanne Pausley	JENK
Sam Bridges	Town of Ganel
LIBBY WEBB	DURHAM, NC
John Baur	Charlotte, NC
Caroline Miller	AMGA
Wm. Gregory Stinson	Winston-Salem, N.C.



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House Appropriations

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12-15-16

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FIRM OR AGENCY AND ADDRESS

Leanne Winner

WCSBA

Carson Hine

MVA

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS

12-15-16

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

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FIRM OR AGENCY AND ADDRESS

Tony Quatararo	Citizen 1012 Collins Dr, Raleigh NC
Max Lazar	Citizen 238 McCauley St Chapel Hill, NC
Aileen Aylward	Citizen 238 McCauley St, Chapel Hill NC
Sarah Collins	NCLM
Erin Wynia	NCLM
Elena Ceberio	Citizen
Alec Dampke	Citizen
Woody Holliman	Citizen 119 W. Lynch St Durham
Ron Hancock	NC DOT
Mary Jennings	NC DOT

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS

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Name of Committee

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FIRM OR AGENCY AND ADDRESS

COOY HAND	NCHA
JASON JOYNER	NEW FRAME
JOSEPH UNSTEAD	Citizen
SCOTT LASTA	KGA NC
Jon Carr	Jordan River
Malcolm Young	NCDEQ
Brian Perkins	DHHS
Tim Minow	NC HBA
Marge Freeman	NCHAE
Leah Cullom	Student from UNCG

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS

Name of Committee

12-15-16

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

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FIRM OR AGENCY AND ADDRESS

[illegible]

VISITOR REGISTRATION SHEET

House Appropriations

Name of Committee

12-15-16

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

PAUL J. NORCROSS

7th OF CARPSE FOUNDATION

Lindalyn Kakadelis

NC Ed Strategies 3201 Archdale Dr.
Cham. 28210

W. Clark

ncsd

Baris Grant

SAD

Lee T. Myn

NC APCS

W. M. M. M.

Rane

R. M. M.

Mis

Jay Stem

NCAA

LAURA PURYEAR

WALK WEST

Rob Lanning

FIA

DOUG HEED

DUKE

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House Appropriations

Name of Committee

12-15-16

Date _____

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NAME _____

FIRM OR AGENCY AND ADDRESS

M. William D. Homan

MWCLCC

Tom West

NCTM

David Teller

WS

Beta Barsky

CAGE

David Crawford

11/12/20

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HOUSE APPROPRIATIONS

12-15-16

Name of Committee

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME _____

FIRM OR AGENCY AND ADDRESS

[illegible]

Appropriations Committee

[illegible]



[illegible]

Rep. Larry Pittman	X																		
Rep. Michele Presnell	X																		
Rep. Joe Sam Queen	X																		
Rep. Bobbie Richardson	X																		
Rep. William Richardson	X																		
Rep. Dennis Riddell	X																		
Rep. Jason Saine	X																		
Rep. Brad Salmon																			
Rep. Chris Sgro	X																		
Rep. Phil Shepard	X																		
Rep. Michael Speciale	X																		
Rep. Paul Stam	X																		
Rep. Sarah Stevens	X																		
Rep. Scott Stone	X																		
Rep. Evelyn Terry	X																		
Rep. Paul Tine																			
Rep. John Torbett	X																		
Rep. Brian Turner	X																		
Rep. Rena Turner																			
Rep. Sam Watford	X																		
Rep. Roger West	X																		
Rep. Chris Whitmire	X																		
Rep. Shelly Willingham	X																		
Rep. Michael Wray	X																		
Rep. Larry Yarborough	X																		
REP GRANCE	X																		
Appropriations Staff:																			
Karen Hammonds-Blanks																			
Richard Bostic																			
Phyllis Pickett																			
Lisa Wilks																			

